

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday March 3 1987

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Italy's tidal wave
of outward
investment, Page 22

No. 30,174

World news Business summary

India and Pakistan to pull out more troops

India and Pakistan agreed to pull 50,000 more troops back from their border area by this month, bringing the total number of troops withdrawn recently to 200,000. Pakistan's Foreign Secretary, Abdul Sattar, said the agreement had been reached during talks with India's External Affairs Secretary, A. S. Ganesan. With these troops returned to their peacetime locations, more than 70 per cent of the forces would have been removed from the border areas.

The presence of the troops on the border brought about a state of confrontation between the two nations in January. Page 3

Craiz to resign

A lengthy and bitter power struggle between Italy's five coalition parties will be triggered today by the resignation of Socialist Prime Minister Bettino Craiz. Page 2

Lebanon peace

Differences over restructuring the Lebanese army stand in the way of agreement between President Amine Gemayel and Muslim leaders on political reforms aimed at ending the civil war. Page 3

Iraqi defiance

A senior Iraqi oil official, Semi Sharif, defied Iraq to damage the huge Kirkuk oil field in northern Iraq, saying no operation against the field by either Iraqis or Kurds, guerrillas had ever succeeded.

Mugabe's backing

Prime Minister Robert Mugabe welcomed Mozambique President Joaquim Chissano at the start of a four-day visit by restoring Zimbabwe's support for Mozambique in its war against right-wing rebels.

Working hours row

The increasingly bitter row between West German employers and the metal workers' union IG Metall, over working hours, continued in Baden-Württemberg with union calls to halt all overtime in the state. Page 22

Farmers battle

Thousands of Spanish farmers clashed with police in the northeastern city of Saragossa during a march to demand a better deal from the European Community, protest organisers said.

Angolan 'zone'

South Africa has stepped up its military activity in southern Angola in recent weeks and is trying to impose a permanent "control zone" in the region, the official Angolan news agency Angop said.

Moscow news

Moscow television is to introduce breakfast and late-night news and entertainment shows as part of an overall drive for reforms and more openness in the Soviet media.

Nazi war crimes

Britain said it needed stronger evidence before taking action against alleged Nazi criminals in the country, but raised the possibility of amending its laws to bring them to justice.

Libyan reshuffle

Libya's parliament, the General People's Congress, has appointed a new Prime Minister in a government reshuffle which also puts foreign affairs and planning in new hands.

Monet, not money

A private collector has donated the impressionist work "Dejeuner sur l'Herbe" by Claude Monet to the French state in payment of inheritance tax, the Finance Ministry said.

Moscow suggests 6-month timetable for missiles pact

BY OUR FOREIGN STAFF

THE Soviet Union indicated yesterday that a separate agreement on the elimination of medium-range missiles from Europe, as offered by Mr Mikhail Gorbachev, the Soviet leader on Saturday, could be signed within six months, given good will on both sides.

This optimistic forecast was made by Mr Viktor Karpov, Head of the Soviet Foreign Ministry's Disarmament Department, as Mr Gorbachev's offer was presented formally at the Geneva arms control talks between the US and the Soviet Union.

Following the presentation of the proposal by Mr Yury Vorontsov, the chief Soviet negotiator, a US spokesman said his delegation had agreed to extend the present round of talks on intermediate nuclear forces (INF) beyond their original deadline on Wednesday.

The US Government yesterday formally welcomed Mr Gorbachev's offer as "a positive development."

"The US has long believed that progress in one area of negotiations should not be dependent upon progress in other areas," Mr Martin Fitzwater, the White House spokesman said.

He was referring to the Soviet leader's concession not to link an INF agreement with cuts on the development of President Ronald Reagan's space-based defensive system (SDI), which Moscow has demanded since the Reykjavik summit last October.

The spokesman said that the US intended to propose specific treaty language on INF in Geneva in the near future. Other officials have stressed, however, that effective verification measures of an INF agreement, the reduction of shorter-range missiles in Europe and



US negotiator Max Kampelman (left) meets his Soviet counterpart Mr Yury Vorontsov, in Geneva yesterday.

cuts in conventional forces were all problems which had to be considered in a deal on medium-range missiles.

The officials said that while Washington had never established a formal link between INF and conventional forces "we have always identified the fact that, before you could move to extremely low levels of nuclear weapons, you would have to solve your conventional force imbalance."

These considerations have also been stressed in the generally favourable reactions to Mr Gorbachev's proposal from America's European allies. France was the only dissenting voice in the welcoming chorus.

After meeting Mr Paul Nitze, President Reagan's special arms

adviser and Mr Richard Perle, the US deputy defence secretary, in Paris, Mr Jean-Bernard Raimond, the French foreign minister, expressed his Government's deep reservations about the latest Soviet proposal.

Stressing that Mr Gorbachev's offer contained little that was new, Mr Raimond said that any disarmament agreement must be carefully prepared and carried out in stages without upsetting the military balance in Europe.

France, whose defence is based on an independent nuclear deterrent, has long worried that a separate INF agreement would leave Western Europe vulnerable to Soviet superiority in conventional forces.

Continued on Page 22

Reaction, Page 2

White House rules out major staff shake-up

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR Howard Baker, the former Republican senator from Tennessee who replaced Mr Donald Regan as President Reagan's Chief of Staff, is not planning a full-scale "house cleaning" of White House officials according to Mr Martin Fitzwater, the White House spokesman.

However, Mr Fitzwater confirmed reports that Mr Peter Wallison, the President's top legal adviser and a man who it is argued should have made him more aware of the legal implications of the Iran arms transactions, will be leaving.

Mr Fitzwater, answering questions, denied that there would be "wholesale firings" of staff appointed by Mr Regan, but indicated that further departures could be anticipated later.

Meanwhile Mr Baker, announced yesterday that Mr Robert Gates, the man President Ronald Reagan nominated earlier this month to succeed Mr William Casey as director of the Central Intelligence Agency, had asked for his nomination to be withdrawn. He will remain deputy director of the CIA.

Mr Baker also disclosed that the President would give a nationally televised address on Wednesday night in which he is expected to respond to the scathing criticisms of his Administration contained in the Tower commission report into the Iran arms scandal.

While denying there would be wholesale firings, Mr Fitzwater indicated that further departures of White House staff could be anticipated.

Mr Baker was also expected yesterday to meet with both Republican and Democratic leaders of Congress, a move which will serve to underline his determination to drop the confrontational approach Mr Regan adopted towards Capitol Hill.

Commenting on Mr Baker's first staff meeting, Mr Fitzwater said there was a "refreshing openness" and "candour" on all sides, but denied that he was drawing comparisons with Mr Regan's style. Referring to the President, Mr Fitzwater said he was "interested in rebuilding the management structure of the White House."

Mr Baker's appointment has been greeted with dismay by the far right of the Republican Party which perceives Mr Baker as a moderate.

S. African miners seek 55% rise

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S black National Union of Mineworkers (NUM) put forward demands yesterday for a 55 per cent across-the-board pay rise for 530,000 gold and coalminers in this year's annual negotiations with the Chamber of Mines.

Mr Cyril Ramaphosa, NUM General Secretary, said the union wanted negotiations to begin in April and warned that "if the chamber fails to start negotiations and make a reasonable offer, strike action would be contemplated and a special congress called to discuss the appropriate course of action."

Last year the NUM put forward a starting demand of 45 per cent which it reduced to 30 per cent during negotiations. It finally settled on a revised offer of 23.5 per cent.

This weekend's annual NUM con-

gress showed the union to be in a combative mood with pay demands accompanied by the threat of further strike action in support of demands for the abolition of the migrant labour hostel system.

The union also reaffirmed its support for economic sanctions and closer ties with anti-apartheid opposition groups and formally embraced the 1955 Freedom Charter which includes a demand for nationalisation of the mines.

Opposition to the migrant labour system has been heightened by the death of 133 miners in faction fights over the past year.

At its congress the NUM set a March 30 deadline for the chamber, which represents the five major mining groups, to make a declaration of intent to dismantle the sys-

tem "within a reasonable time" - defined by Mr Ramaphosa as "within one or two years."

In the meantime, it demanded the immediate replacement of the present system of tribal industrial headmen, by "democratically-elected workers' representatives" and improvements in living conditions.

Mr Ramaphosa made clear that the union, which now claims 360,000 members, intends to mount a serious challenge in several areas hitherto regarded by the mining companies as "management prerogatives."

On the question of a replacement for the hostel system, it demands to be involved in the planning of more

Continued on Page 22
Sweden to impose sanctions, Page 2

London to close stock trading floor

By Clive Wolman in London

THE London Stock Exchange decided yesterday to close down its trading floor - the main venue for transactions in UK company shares and Government securities - since the construction of New Jonathan's Coffee House on Threadneedle Street in 1773.

A working group has been set up to consider future use of the 25,000 square foot area which is next to the Bank of England. But a final decision is expected only at the end of the year, which will allow the floor to continue in use at least until early 1988.

The rapid decline of the trading floor began on October 27 of last year, when the "Big Bang" deregulation was implemented. This included the introduction of an electronic price and trading information system, which facilitated trading over the telephone, and the abolition of the separate role for stockjobbers who operated mainly on the exchange floor from their hereditary "pitches."

In September, the number of firms with pitches increased from 19 to 23 as few were willing to bank on the demise of the floor under the new regime. Heavy refurbishment costs were incurred and the firms paid rent for their pitches up to three years in advance.

On an average day before Big Bang, 1,800 to 2,000 stockjobbers and jobbers would mill around the floor, exchanging information and carrying out trades. Now, the stock exchange estimates that figure has fallen to between 200 and 300.

Of these, many will leave when their firms have set up proper telephone trading floors. And most of the remainder are users of the traded options market where trading, by means of open outcry, will continue in a single physical location, possibly to be shared with the financial future exchange.

Among the options to be considered by the working party, which will be led by the exchange's property and finance committee, are the renting out of the floor as a single unit or its conversion into smaller offices. As the floor is separate from the adjacent stock exchange tower, demolition and redevelopment are also possible.

Dealing on the site, which houses the modern stock exchange, first began in 1862. Business in the new building started 14 years ago.

Brazil seeks new approach to debt talks

BY ALEXANDER NICOLL IN LONDON

BRAZIL is pushing for changes to the make-up of the 14-member advisory committee of leading banks which has steered the international banking community through debt negotiations with the country since 1982.

"We have to think again about the whole structure," Mr Dilsen Fumara, the country's Finance Minister, said in London yesterday as he began a tour of European capitals to explain Brazil's suspension of interest payments on \$60bn of debt owed to banks.

His purpose is to spark official discussion of longer-term solutions for Brazil's problems.

Mr Fumara's remarks are likely to unsettle the advisory committee, chaired by Citicorp, which last week expressed grave concern about Brazil's payments moratorium.

Recent comments by Mr John Reed, Citicorp chairman, aroused a storm in Brazil where they were interpreted as showing excessive concern for the bank's profitability.

Mr Fumara said although US banks accounted for about a third of Brazil's debt to banks, they had half the seats on advisory committee. European banks, he said, had been more open to alternative suggestions about handling debt problems, such as capitalisation of interest under which the interest is added to the total sum owed. This suggestion is expected to be a major part of Brazil's eventual request to banks.

Mr Francisco Gros, the Brazil Central Bank governor, said: "If debtors should be dealt with on a case-by-case basis, perhaps the same principle should apply to the creditors."

In meetings with Mr Nigel Lawson, the UK Chancellor and Mr Robin Leigh-Pemberton, Governor of the Bank of England, Mr Fumara continued to avoid being specific about what he will ask of Brazil's creditors in forthcoming negotiations.

His message was that foreign governments should give greater consideration to longer-term solutions instead of quick fixes of Brazil's cash flow. To achieve this they should mobilise greater flows from multilateral agencies such as the World Bank and Inter-American Development Bank.

Underlining the political nature of his tour, during which he is not seeing commercial bankers, Mr Fumara also paid a courtesy call on Sir Geoffrey Howe, the UK Foreign Secretary.

He appears to have found little comfort from the UK Government, however. Mr Lawson, echoing statements by US officials, told him that negotiations on bank debts were a matter for commercial banks.

The UK Treasury said Mr Lawson stressed the need for Brazil to present a convincing economic programme to creditors.

Irish dollars loan payment, Page 3

Coffee prices fall as quota talks continue

BY ANDREW GOWERS IN LONDON

WORLD coffee prices fell sharply yesterday as a bitter dispute continued between importing and exporting countries over the possible reintroduction of quota controls on the market.

Representatives of the 75 member countries of the International Coffee Organisation (ICO), which regulates world trade in the commodity, were meeting in London for the eighth successive day in an attempt to agree terms for the resumption of export quotas as a safety net for prices.

But as they talked into the night, prices tumbled on futures markets in London and New York, reflecting a belief that the meeting might break up with no agreement and leave exporters free to export as much as they wish for another few weeks.

On the London commodity Exchange, robusta coffee for May delivery closed at £1,490 (\$2,344) per metric ton down £57.50 on the day. This wiped out a large part of the gains registered last week, when the market was speculating that agreement might be reached by last Friday's deadline.

The coffee market has been in a free-for-all since the ICO suspended export quotas just over a year ago, as prices soared in reaction to the anticipated halving of the Brazilian crop, the world's largest. But the shortage which this was expected to create failed to materialise, and

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AIR PARIS
AIR LILLE
AIR NANTES
AIR STRASBOURG
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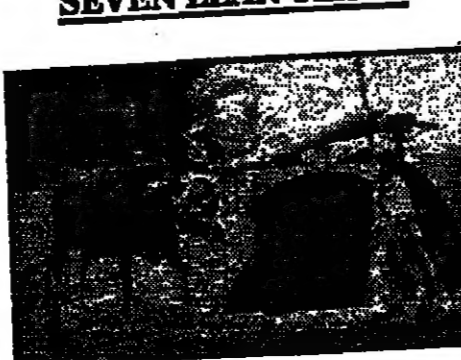
TAKE A DEEP BREATH.

From 29 March -
Gatwick - Paris
Stansted - Paris
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SEVEN LEAN YEARS



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EUROPEAN NEWS

OECD confirms France's gloomy view of its economy

BY DAVID HOUSEGO IN PARIS

THE GLOOMIER prospects for the French economy presented by the Government last week received confirmation yesterday from the Organisation for Economic Co-operation and Development which foresees growth flattening out and unemployment rising.

In its annual review, the OECD secretariat sees real gross national product expanding by 2 per cent this year—or about the same as in 1986—and unemployment rising to 11.1 per cent of the labour force from 10.7 per cent at the end of last year if no fresh employment measures are introduced.

But the most worrying part of the report is the picture it paints of the weakening competitiveness of the French economy as reflected by France's loss of 2.5 per cent market share in world trade in manufactured goods last year. Although it offers some hope that a further loss in market share can be avoided this year because of stronger domestic demand in Europe, it also expresses the fear that French exports could be squeezed by the decline in the dollar and the increased competitiveness of

the newly industrialised countries. Overall, it expects the trade account to slip back into deficit next year after a small surplus in 1986 and the surplus on the current account to diminish.

The report comes almost a year after the conservative administration of Mr Jacques Chirac took office against what was believed to be a favourable economic background of falling oil prices. It shows that in spite of an FFR 80bn (£8.5bn) windfall benefit to the trade account, France gained little from this boost in terms of either the trade account or growth.

While it gives an overall endorsement to Mr Chirac's policies of diminishing the state's role in the economy, it says that the external constraint leaves the Government little leeway in terms of macro-economic policy—even if the unemployment situation or the need to encourage investment could require more stimulus to demand.

Written on the basis of an oil price of \$15 a barrel and before the unexpectedly strong 0.9 per cent climb in the com-

SHORT-TERM PROSPECTS			
Percentage changes from previous period, annual rates, 1970 prices	1986	1987	1988
Private consumption	3.3	2.8	1.5
Gross fixed investment	4.4	4.2	4.9
Private non-residential sector	4.6	4.2	4.9
Final domestic demand	3.3	2.3	2.1
Change in foreign balance*	-1.8	-0.4	-0.2
Exports of goods and services	0.7	3.7	3.4
Imports of goods and services	2.5	4.5	3.9
GDP at market prices	2.1	2.1	2.3
Consumption deflator	2.2	2.1	1.0
Unemployment rate†	10.7	11.1	11.5
Trade balance	-2.1	-1.9	-2.1
Current balance	3.8	3.6	1.0

* As a percentage of GDP in previous period.
† As a percentage of total labour force.

Source: OECD

sumer price index in January, the report sees France's main success as holding down inflation and industrial unit costs. It says that this year, France could still have one of the industrialised world's lowest rises in unit industrial costs as it did in 1986. But it warns strongly that wage restraint must continue and that any passing on of higher prices into higher wages would be very damaging. However, the part of the report which will attract most

attention in France is the OECD analysis of why "the overall performance of the productive system... particularly in industry" has been "poor... as evidenced by the steep deterioration of foreign trade in industrial goods and persistent high unemployment." It shows that, in the period between mid-1985 and mid-1986, domestic demand, spurred by tax cuts and disinflation was growing at an annual rate of 2 per cent—or one of the highest

in Europe. But in the same period, gross domestic product only expanded by an annual rate of 1.1 per cent—underlining the extent to which the potential growth in domestic activity was lost to the steep rise in imports.

The OECD says that the import ratio for manufactured goods has risen by 6 percentage points in volume terms since the beginning of the 1980s, and for some products, including investment goods and household appliances, now stands at more than 80 per cent.

What is unusual, it says, is that this movement has been accompanied by a poor export performance, with France's share of OECD exports declining progressively both in volume and current price terms.

The organisation's secretariat sees the main reason for this as industry's failure to adjust its products and marketing to shifts in world demand. Thus, while French industry did well out of its concentration on the less testing markets of Opec and the developing world in the 1970s, it has since suffered from their weakness and from an un-

more dynamic markets of the industrialised world.

At the same time, the OECD believes that French manufacturers allowed their export prices to rise too high to offset price controls in the domestic market.

In terms of short-term forecasting, the OECD sees consumer spending slowing this year under the influence of wage restraint and reduced social security benefits. With companies having substantially rebuilt their profit margins, it sees productive investment as remaining buoyant. But overall it believes that domestic demand will decelerate to slightly below the European average, having been above it for 18 months.

This slower pace of domestic demand could be offset, however, by a slightly faster expansion of exports as a result of higher levels of demand in neighbouring European countries. Thus, while growth at 2 per cent will be sluggish, it will also be healthier in the sense of being better balanced between investment and exports than the consumer-led recovery of 1985-86.

EEC steelmakers detail proposals for capacity cuts

BY WILLIAM DAWKINS IN BRUSSELS

THE EEC's main integrated steel companies yesterday handed the European Commission the final version of their controversial scheme for the voluntary closure of 15.36m tonnes of annual production capacity. It marks the climax of a campaign by Eurofer, the steel industry association, to persuade the Commission to defer until 1990 its plan to liberalise the market.

The Commission's formal policy is to lift by the end of this year the system of production quotas which has helped to support prices in the depressed steel industry since 1980. But Eurofer argues that the industry is still too weak to take the shock of a free market. This position is being increasingly accepted within the Commission, despite its scepticism about steel companies' ability to make big enough cuts in the right products.

According to Commission figures released yesterday, EEC steel production fell by 1.1 per cent to 8.8m tonnes between January 1986 and 1987. Yesterday's report outlines far heavier cuts than the 11.9m tonnes offered by Eurofer when it first floated a closure scheme in outline last autumn. They represent a substantial proportion of the 21.7m tonne surplus of hot rolled capacity which the Commission estimates will have built up by the end of the decade.

Yet, crucially, the plan offers no cuts in the hot-rolled production of coil, where over-

capacity is heaviest. "Detailed discussions will have to be held immediately between the producers and if necessary with the relevant political authorities... to arrive at a satisfactory solution as quickly as possible," said Eurofer. It stressed that while the plan was final, improvements would be offered.

Hot rolled coil capacity is the most politically difficult to close because it generally consists of very large publicly-owned plants. The bulk of the cuts offered yesterday are in long products where plants are typically smaller and where production is split between big integrated producers and independent companies.

The biggest production cuts proposed include 3.9m tonnes in wire rod (where more closure proposals may follow later, says the report), 3.05m tonnes in merchant bars, 2.7m tonnes in quarto plate and 1.65m tonnes in cold rolled products.

The Commission was yesterday still digesting the plan, which has been through several revisions since it was first outlined in draft last year. Mr Karl-Helmuth Naeve, Mr Peter Knaul and Mr Abel Matus, the three Commissioners responsible for steel, will work out their response at a meeting tomorrow evening for submission to a full session of the Commission a week later. The next step will be for the plan to be debated by member states when industry ministers meet in Brussels on March 19.

Rotterdam port disruption enters seventh week

BY LAURA RAUIN IN AMSTERDAM

STRIKE ACTION by dock workers entered its seventh week yesterday but there was hope that an end may be in sight. The dispute has been limited to the general cargo trade and has caused F1 7.2m (£2.26m) in losses.

The FNV port employers' association expected to resume talks with the FNV transport union last night on ways to end the lightning strikes that have hit the world's largest port. Negotiations broke down last Thursday but both sides faced a government deadline to resolve their differences by yesterday.

Mr Louw de Graaf, the Labour Minister, had threatened to cut off F1 10m a year in state subsidies for idle dock workers if no agreement were reached by the end of the week. Far fewer dockers were on

strike yesterday than in previous weeks—about 70 from the port's joint labour pool.

Union members launched a series of lightning strikes in the general cargo sector on January 19 in protest against companies' plans to scrap 650 jobs in a bid to return to profitability after years of losses, including F1 30m last year. General cargo companies employ 4,000 of the 10,000 Rotterdam dockers.

Meanwhile, in the container cargo sector, labour negotiations were expected to resume this week between the FNV transport union and European Container Terminals (ECT). The union has promised to halt strikes against ECT while talks continue over the company's plans to cut costs by F1 50m through more flexible work practices or redundancies.

Gorbachev offer divides Europe's nuclear powers

BY ROBERT MAUTHNER IN LONDON AND GEORGE GRAHAM IN PARIS

BRITAIN AND France, Europe's only two nuclear powers, yesterday adopted sharply conflicting positions on the latest arms control proposals by Mr Mikhail Gorbachev.

While Sir Geoffrey Howe, the British Foreign Secretary, welcomed the Soviet offer to negotiate a separate agreement with the US on the elimination of medium-range missiles from Europe, his French opposite number, Mr Jean-Bernard Raimond, expressed France's deep reservations about the proposal.

Interviewed on French television after meeting Mr Paul Nitze, President Ronald Reagan's special arms adviser, and Mr Richard Perle, US Assistant Defence Secretary, Mr

Raimond said that the Soviet proposal contained "little that is new." He added that while France favoured nuclear disarmament, any agreement must be carefully prepared and carried out in stages without upsetting the military balance in Europe.

A French Foreign Ministry statement issued earlier said that "bearing in mind the lack of balance in conventional and chemical forces in Europe, the objective must be to avoid a demilitarisation of Western Europe."

It also stressed the importance of proper verification procedures for any arms agreements and the need to conduct simultaneous negotiations to

limit the deployment of shorter-range nuclear missiles, a point that has been underlined by all Western governments.

France's hostility to the so-called "zero option," in spite of its endorsement by all the Nato countries at their ministerial meeting in Brussels last December, is based on the fear that a withdrawal of US Pershing and cruise missiles from Europe would "uncouple" the US from the defence of its European partners.

With their defence based on their own independent nuclear deterrent, the French believe that west European security would be seriously weakened by any move towards non-nuclear policies.

By contrast, Sir Geoffrey stressed that the achievement of an agreement to limit range nuclear forces (INF) "could transform for the better the whole atmosphere in which arms control talks and relations between East and West are conducted."

He pointed out that Mr Gorbachev's proposal was based on the "zero option" which the Atlantic alliance first put forward in 1981. The western approach at the Geneva arms talks and the 1985 decisions to deploy cruise and Pershing 2 missiles in Europe had therefore been justified.

The Soviet leadership appeared to have broken the link between an INF agreement

and President Reagan's Strategic Defence Initiative (SDI) and the project for space-based defensive weapons—something which Britain and the other Nato countries had long been urging on the Soviet Union.

Last but not least, the Soviet statement made no reference to the British and French nuclear deterrents, appearing to confirm that the two countries' insistence on the exclusion of their nuclear weapons from an arms agreement between the US and the Soviet Union was justified.

Sir Geoffrey emphasised, however, that verification procedures and arrangements for shorter-range nuclear weapons remained crucial problems.

Progress at Vienna preliminary discussions

NATO and Warsaw Pact representatives yesterday had a second meeting on launching conventional arms talks and delegates said progress was made on establishing grounds for further discussion, AP reports from Vienna.

"It was a good meeting. We agreed on a number of procedural points which are very important," said West German ambassador Mr Claus Juergen Citron after the closed session at the Hungarian embassy.

He added, "In particular we agreed on continuity, on the framework how these (preparatory) talks will continue now. The atmosphere was good."

talks toward East-West consensus on a mandate for broader arms negotiations took place at the French Embassy on February 17.

A statement issued yesterday through the US embassy said, "The US team is encouraged by the pragmatic approach which both sides have adopted so far, and we hope to soon move to a discussion of substantive issues."

The US group was led by Mr Steve Ledogar, deputy chief of mission of the US representation to Nato in Brussels.

A US embassy official said Mr Ledogar was leaving for Brussels, where a high-level Nato task force is scheduled to meet today to review the Vienna talks, set out broad pol-

icy guidelines and decide which Western embassy here will host the next talks.

The British delegation leader Mr Bruce Cleghorn said: "We are making good steady progress on procedures for the conduct of these talks."

"The substantive issues of these talks are going to be difficult ones, (so) it's going to take some time to set up the mechanisms, but we are making reasonable, steady progress," he said.

Soviet Bloc diplomats and officials from neutral and non-aligned countries earlier said they welcomed arms control talks should include all 35 countries attending the Euro-

pean Conference on Security and Co-operation.

But Mr Cleghorn said: "It was very clear from the opening statement of our (Hungarian) host that these (preparatory) talks are going to be conducted at 23 Nato and Warsaw Pact countries, adding neutral and non-aligned countries would be informed from time to time."

The mutual and balanced force reduction talks (MBFR) on cutting back conventional forces in central Europe have been going on for over 10 years without an agreement. One week and the Warsaw Pact agree on a new mandate for conventional arms talks, MBFR will be scrapped.

ABDALLAH TRIAL JUDGES SET PERILOUS COURSE

French turn a new face to terrorism

BY DAVID HOUSEGO IN PARIS

THE INDEPENDENCE of the French judiciary in sentencing Georges Ibrahim Abdallah, the Lebanese terrorist, to life imprisonment was seen yesterday as the opening of a new chapter in the handling of terrorist cases in France.

"We are now condemned to a policy of firmness which we did not want and which will bring dangers with it," said a remarkably frank editorial in the right-wing daily newspaper *Le Quotidien* yesterday. Put differently, French governments will find it much more difficult to negotiate over terrorists and hostages.

The Abdallah trial has changed the circumstances of such deals in two ways. It means that the regimes with which France has been negotiating (including Syria and Algeria) and the terrorist groups (including Abdallah's Lebanese Armed Revolutionary Faction—FARL) can no longer be confident that French governments can secure from the judiciary the sentences they want.

French history is unfortunately littered with cases in which the Government has successfully put pressure on the judiciary. In the first trial against Abdallah in Lyons last July, it now seems clear that government intervention was crucial in securing him a light sentence of four years.

The Government also went to considerable lengths last week to secure him a sentence of less than ten years—including testimony from the French intelligence services intended to mini-



Georges Ibrahim Abdallah who received a life sentence last week

was promised by the Socialists in 1985 against the freeing of a kidnapped French official, Sydney Gilles Peyreles. It was promised again after his trial in the summer. And it has been promised a third time in September to halt the wave of bomb attacks in Paris.

French officials yesterday expected that Abdallah's sentence would be followed either by further terrorist attacks in France or by reprisals against the French hostages being held in Lebanon. The prosecuting counsel's speech on Friday held out the re-establishment of Syrian control in Beirut as a glimmer of hope for the hostages.

So far, French reaction to the trial has paid little heed to the risk of renewed terrorist attacks. Instead, there has been virtual unanimity among political leaders and the press in praising the judges' courage.

By contrast, there has been considerable disgust at the prosecutor's speech pleading for clemency in order that France itself should not be "turned into a hostage." Mr Pierre Mauroy, the former Prime Minister, said: "I had fear for my country of a judicial Munich."

The judgment by the seven member panel of magistrates set up in December under new procedures for trying terrorists also seems likely to set a precedent. The four Action Directe terrorist leaders arrested a week ago and likely to be charged with the murder of Mr Georges Besse, the former head

of Renault, will appear before the tribunal. So also will Régis Schlichter, another Action Directe leader whose trial had to be abandoned in December after he had threatened the lives of the jury.

In political terms, the trial means that the Government has lost a good deal of the credit it gained for arresting the Action Directe leaders. Public opinion had expected that this success would be followed by a further demonstration of strength against the terrorists. This was also implied in remarks by Mr Jacques Chirac, the Prime Minister, on Friday morning before the prosecutor's speech when he said that the Government "would never yield to blackmail."

The prosecution's argument that the courts had insufficient power against terrorism and that reasons of state should prevail was thus seen as a humiliation.

It is still not clear in what circumstances Mr Pierre Baechlin, the prosecuting counsel, made his plea for leniency. He has said that he did not receive direct instructions from the Government. But he has equally shown that he did not support the plea and was torn by having to make the speech he did.

The most likely explanation is that he was shown evidence of possible terrorist action and reprisals against the French hostages in Beirut which made him feel that he had little choice. For the moment France is resigned to living with the consequences.

French use of bank cards soars

BY GEORGE GRAHAM IN PARIS

FRANCE, already one of the most advanced countries in the use of banking technology, is rapidly expanding its use of cash and credit cards.

Bank cards were used 585m times last year, an increase of 55 per cent from 1985. Mr Raoul Bellanger, director of the French Bank Card Association, said a further 40 per cent increase in card use was expected this year.

Last year was the first in which a fully national bank card system was in effect in France. There are 15m bank cards in issue, and customers can use their cards at any bank or post office cashpoint, no matter where they have their account.

Cash machine withdrawals rose by 44 per cent last year to FFR 115bn (£12.2bn), with an average withdrawal of FFR 442. Card payments amounted by 60 per cent to FFR 100bn, with an average of FFR 317 per payment.

Besides conventional bank cards, there are 250,000 chip cards—bank cards with micro-processors for data storage—issued in Brittany. The experiment is to be extended to other regions this year.

Swedes poised to ban trade with S Africa

By Sara Webb in Stockholm

THE Swedish Social Democrat Party's executive yesterday voted unanimously to boycott trade with South Africa.

The Foreign Affairs Advisory Council, which represents all the parties except the Communists, meets today to discuss the decision, and the Government is expected to present a couple of weeks. Only the Conservative Party is against a boycott.

Mr Ingvar Carlsson, the Prime Minister, would not elaborate on what form the boycott would take, or whether Swedish subsidiaries would be forced to pull out of South Africa, but the implication is that the boycott would be fairly extensive.

Sweden was prepared to wait for the UN Security Council to recommend sanctions against South Africa. But the UN proposal was vetoed by the US and Britain 10 days ago. An independent trade boycott represents a significant break with traditional foreign policy.

The value of Swedish imports from South Africa decreased by about 70 per cent in the first nine months of 1986 to SKr 106.2m (£10.6m), while exports decreased by about 80 per cent to SKr 559m.

The Swedish companies which have sales and production subsidiaries in South Africa are mostly in the mining sector and include Atlas Copco, SKF, Securor, Sandvik, Skanska, and Alfa-Laval.

Sweden gives 45 per cent of its bilateral aid to the front line states, the African National Congress, and various humanitarian organisations in southern Africa.

Craxi to stand down today

By John Wyles in Rome

A LENGTHY and bitter power struggle between Italy's five coalition parties will be triggered today by the resignation of Mr Bettino Craxi, the Socialist Prime Minister.

Mr Craxi will return to full-time duty as secretary of the Socialist Party to begin preparing for the next general election which cannot be held later than June next year.

After taking soundings among party leaders, President Francesco Cossiga is expected at the end of the week to ask the Christian Democrat veteran, Mr Giulio Andreotti, to try to form a government.

His efforts should reveal whether the Socialists in particular are negotiating for an agreement or for a rupture leading to an early election. The party is expected to table very ambitious demands both on policies and cabinet posts.

Mr Andreotti, who has been Prime Minister five times before and is currently Foreign Minister, seems very anxious to secure the top job despite the fact that he may be seen as a lame-duck government headed by pre-electoral storms.

Editorial comment, Page 20

Peter Bruce assesses a hard-fought package
Bonn tax reform proposals fail to elicit more than faint praise

IT MAY have taken a long and stormy time to agree, but the West German Government's DM 44.5bn (£15.5bn) tax reform package for 1990, announced in a hurry last week, has been greeted at home and abroad with only the faintest of praise.

The Bundesverband der Deutschen Industrie (BDI), the main employer body, complained that despite an intended cut in corporate tax from 56 per cent to 50 per cent, German companies would still be taxed more than their competitors after 1990.

The BDI also warned that a bitter coalition row over whether to cut the top marginal rate of income tax from 56 per cent obscured the fact that tax policies were central to economic growth and should not simply be seen—as many Government MPs do—as a method of distributing wealth.

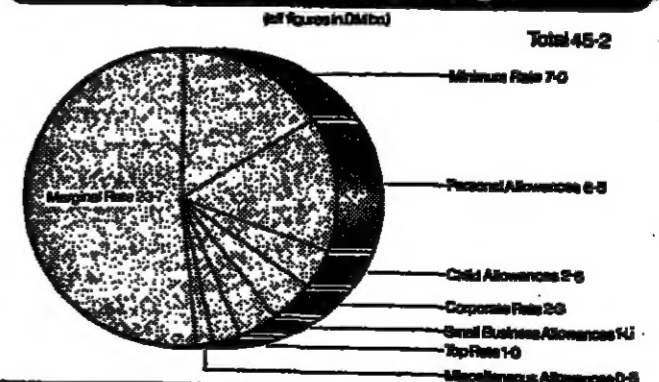
Both the BDI and a second important employers' body, the DIT, also strongly criticised the decision to set corporate tax and the top rate of income tax at 50 per cent and 53 per cent respectively from the 56 per cent at which they are set now.

But most small and medium-sized German companies pay income tax and, in order to pay at the lower, corporate tax level from 1990, many would have to take on new legal forms.

Absent official reaction to the package has been muted. The US is not thought to be impressed with it as a potential locomotive force for the economic recovery that has been intense interest and admiration from some high-tax countries like Sweden.

Some international market reaction has been harsh. "It is not worth the paper it is not written on," said Mr Richard Reid, a senior economist with the London brokers Phillips and Drew.

West German Tax Changes



What is worse though, is that it is practically impossible to accurately predict the effect of the reform on individuals and corporations because the Government, for political reasons, only cut half the story last week. Mr Stoltenberg wants to hold the net revenue loss to the state to DM 25bn, which means he has to raise in offset financing worth some DM 19bn.

To find the DM 19bn he has to close tax loopholes, raise some consumer taxes and cut direct state subsidies. Because these measures will be so sensitive to change, they will be going to wait until the end of summer before even beginning to debate them seriously—by which time series of important *Landes* (state) elections will have been held.

Until the means of financing the reform is clear, it is meaningless for the Government to estimate that, for instance, a single person earning DM 30,000 a year would have an extra DM 338 to spend from 1990, or for the opposition to put the saving much lower.

About the only firm tax decision that the Government does have to take this year is by how much to increase a DM 9bn tax cut planned for January 1 next year. At last month's meeting of finance ministers of major Western countries in Paris, Mr Stoltenberg pledged West Germany to this course of action as part of its short-term

contribution to stimulating world economic growth. No-one yet knows how much will be added to the country cut. The DM 9bn is the second and last instalment of a two-stage, DM 19bn, cut that began in 1985. The addition is to be drawn down from the DM 44.5bn reform.

Next year's addition could be double the original amount. Most commentators seem to agree that Mr Stoltenberg would have little political difficulty bringing forward the increase in personal and child allowances that he outlined last week.

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OVERSEAS NEWS

Split over Lebanese army stands in way of peace accord

BY NORA BOUSTANY IN BEIRUT

DIFFERENCES over the restructuring of the Lebanese Army stand in the way of agreement between President Amin Gemayel and Muslim political leaders on political reforms aimed at a settlement of the civil war.

The head of state is amenable, though, to three essential points agreed by the Muslim leaders during talks held at the weekend in Damascus under the aegis of the Syrian Government, according to an adviser close to Mr Gemayel who declined to be quoted by name.

Mr Assad Karam, the veteran Prime Minister in the long-paralysed Government of National Unity, yesterday expressed hopes that the draft accord would lead to a breaking of the deadlock.

But he urged further concessions from the Christian Maronite president, in particular on the issue of the Lebanese Army which is considered by the warring factions to be an essential instrument for the assertion of national sovereignty.

Mr Gemayel is prepared to concede to the demand of the traditional Muslim politicians that he should give up his right to veto over cabinet decisions, but the prime minister should be elected by the National Assembly rather than be appointed by the chief executive, and that the power-sharing system based on a six-to-five advantage in favour of Christian seats should be phased out.

Optimism about agreement on these key political questions is offset by persistent and wide differences on the future structure and direction of the Lebanese Army, the adviser explained.

Syria, striving to engineer a

peace accord and to push forward a two-month-old drive for reforms and rapprochement with Mr Gemayel, is seeking a special relationship with Lebanon and powers over a restructured Lebanese army.

Officials close to the president said Muslim proposals backed a call from Damascus for breaking up the army into regional units falling under commanders selected from their respective areas. At present there is a six-member command council representing Lebanon's main religious sects.

Efforts to convene a Syrian-Lebanese summit at presidential level are under way and a team that has been involved in co-ordinating Syrian and Lebanese position papers is expected in the Syrian capital this coming weekend.

Mr Gemayel is now studying details of the Muslim leaders' draft peace plan hammered out in Damascus over the past few days.

Though similar in its main traits to a Syrian-engineered inter-militia accord, the current proposals emphasises parity between Lebanon's Muslim and Christian communities.

Christian hardliners are more receptive to the idea of Syrian influence in Lebanon, but insist that the two countries should remain independent and establish proper diplomatic ties. There are no Syrian or Lebanese embassies in Beirut and Damascus.

Mr Nabih Berri, the Shiite minister who heads the Amal movement returned to Beirut from Damascus yesterday, following a five-month absence at his local commanders in South Lebanon were being challenged by Mr Hassan Hashem, a strongman considered close to Damascus.

Iraq defers payment on \$500m Euroloan

IRAQ has secured agreement to defer outstanding payments on a \$500m (€375m) syndicated Euroloan, after five months of negotiations with creditor banks, Reuters reports.

Iraq informed the 37 banks in the loan syndicate lead managed by the Union des Banques Arabes et Françaises last September that it could not meet the remaining four principal repayments totalling \$255m, and missed the first of these for \$71.5m.

Banking officials said the agreement now worked out is reported to go some way to meeting creditor bank demands that, at least part of the first missing instalment of \$71.5m be paid and not deferred.

Gulf fighting flares

Iraq yesterday said that it was no longer bound by its commitment made on February 19 to suspend bombing raids against Iranian cities and towns because of a resumption of hostilities by occupying enemy forces east of Basra, Mr Middle East Staff writes.

Last Thursday, Iran declared that its Kermala-S offensive begun on January 9 had ended after the capture of 50 square miles. An estimated three divisions of Revolutionary Guards remain in the area east of the Shatt al-Arab waterway.

Fighting flared at the weekend again, according to both capitals. Iran claimed it had seized another slice of Iraqi territory while Iraq said that three enemy divisions had been annihilated.

Libyan reshuffle

Libya's parliament, the General People's Congress, has appointed a new Prime Minister in a government reshuffle which will see the foreign affairs and planning in new hands, Jane's, the official Libyan News Agency, said yesterday, Reuters reports.

A Jana report from Tripoli said Mr Omar al-Monesser had been appointed Secretary-General of the General People's Congress, a post equivalent to Prime Minister, replacing Mr Jaddalah Azouar al-Talhi.

Mr Talhi succeeds Mr Kamel Hassan al-Mansour as secretary of Foreign Liaison (Foreign Minister).

Mr Fawzi Shakhshuk, Secretary-General of Planning, who usually represents Libya at Opec meetings, takes over the Civil Service portfolio in the reshuffle.

Malaysia trial

The trial of a Briton, the first ever to be charged under Malaysia's tough drug laws, began yesterday in the High Court on Penang Island, Wong Sulong reports.

If convicted, Mr Derrick Gregory, a 37-year-old textile salesman from Richmond, Surrey, faces either a life sentence or the death penalty.

He was arrested at Penang Airport on October 7 1982, and 476 grammes of heroin were reported to have been seized by him in his boots and underwear.

Tony Walker reports on fears that Joseph's biblical vision is being repeated

Nile drought enters seventh lean year

NEVER in the last hundred years since detailed records were kept, and perhaps not since biblical times, have the waters of the Nile, Egypt's lifeline, been so afflicted by prolonged drought.

Egyptian officials are nervously assessing the possible impact of a seventh lean year in the Nile's main catchment area of Ethiopia on water supplies available in 1988 for Egypt's irrigation and power generation.

These officials are reluctant to talk about a crisis for arid Egypt, but admit they are worried and wonder if Joseph's biblical vision of seven lean years threatening the inhabitants of the Nile valley and delta is not somehow in danger of being repeated.

Water flowing into Lake Nasser has been well below expectations since 1981, including a disastrous 1985, reducing reserves in the man-made dam to the point where water rationing for Egypt in the next year or so is being contemplated.

At the same time, the drop in the level of Lake Nasser, the 5,000 square kilometre reservoir created by the completion of

the Aswan High Dam in 1971, has forced a reduction in power generated from water passing through the dam's sluice gates and turbines.

The great African drought of the 1980s has helped gradually to reduce reserves in Lake Nasser to the point now that the dam is at its lowest level since it filled in 1978.

This in turn is having an impact on the ecology of the lake itself. Breeding grounds of the popular Nile fish in shallow coastal waters are being affected by the drop in the water level. Fish stocks are threatened.

Mr Boutros Ghali, Egypt's Minister of State for Foreign Affairs, perhaps his country's most eloquent official on the importance of the Nile, says simply: "The national security of Egypt is not Israel. The national security is water."

The reservoir now stands at 180.6 metres above sea level. A minimum of 185 metres above sea level is required to operate the power station, which last year produced about 80 per cent of Egypt's electricity, at full capacity.

Mr Mostafa El Genaidy, senior engineer at the power station authority, believes this



will be a "critical year" for the Aswan High Dam. "If we don't get a flood this year, maybe we'll have to decrease the flow through the dam next year," he says.

This would affect agriculture and industry downstream

which, with household requirements, consumes about 35.5bn cubic metres annually. These levels have been maintained through the six dry years since 1981 by utilising Lake Nasser's reserves, built up during seven good years between 1971-78.

Egypt and Sudan use about 84bn cubic metres of Nile water a year which represents, according to Mr el Genaidy, a "medium flood." The flow into Lake Nasser last year was about 57bn cm up on the catastrophic 38bn cm in 1985, but still much less than requirements.

Ethiopia, which has been afflicted as badly as any African country by drought, is absolutely critical to Egypt. Eighty-five per cent of waters flowing through Egypt have their origins in Ethiopia catchment areas of the Blue Nile which joins the White Nile at Khartoum.

While Ethiopia itself had good rains last year, these did not fall in the Blue Nile's catchment. Egypt some years ago initiated a canal scheme in Sudan to improve the flow of the White Nile, whose source is Lake Victoria, but the Jonglei canal project has been all but wrecked by the southern

Sudanese rebellion. A reduction in available water need not be a disaster for Egypt, according to Western aid officials, who point to the tremendous waste of water by farmers and other users who assume that supplies are limitless.

An official of the United States Agency for International Development, USAID, said that efficiency usage was about 85 per cent which is low by any standards. He said Egypt could make much better use of its water by more scientific controls of the canal system.

The unspoken fear of officials — and it is unspoken because it is hardly bears contemplating — is that the present dry spell is part of a changing weather pattern that will ultimately mean that Egypt's fast increasing population will have to make do with less water.

In a country where there is no rainfall to speak of and almost complete dependence on a single source of water, this is not a prospect that any Egyptian government can view with equanimity. Mr el Genaidy's assessment that 1987 is a critical year seems entirely justified.

Israeli publishers see closure as bid to block protest

BY ANDREW WHITLEY IN JERUSALEM

AN ISRAELI left-wing publishing house accused of links with "terrorist organisations" has claimed that its recent forced closure is part of a concerted campaign by the Shamir Government against dissent.

Charges presented yesterday against Mr Warschawsky accused him of support for "a terrorist organisation" — Dr George Habash's Popular Front for the Liberation of Palestine — and with providing printing services for an illegal organisation.

Stacks of clandestine pamphlets intended for distribution among Palestinian activists were reported to have been seized by police during the raid on the

central Jerusalem flat. To close the centre, the Israeli police were forced to resort to a "prevention of terrorism" ordinance, dusted off and used for the first time since 1948, rather than an administrative order of the type usually used against Arab critics.

The extreme-left collective, which over the past three years has published a fortnightly newsletter concentrating on human rights cases on a shoestring budget, is one of the only channels of information in

Israel used by both Jews and Arabs. As such, it is believed to have laid itself open to official suspicion.

A board member argued that the closure of the centre could be used by the Israeli security authorities to demonstrate apparent even-handedness when dealing in future with Arab dissidents. He said the alleged links with the PFLP were a "complete falsehood."

In what was regarded as a test case which could lead to the expulsion of many other members of the Palestinian

intelligence the Israeli authorities last December deported Mr Abram Haniyeh, editor of the daily Al-Shaab.

The muzzling of these publications which do not support Jordan's King Hussein is widely regarded as having been the real motive for his deportation.

Other Arab-language newspapers distributed in the occupied territories have faced considerable pressure not to criticise the co-operation evolving between Israel and Jordan over the running of the West Bank.

India and Pakistan to pull out 50,000 more troops

BY MOHAMMAD AFTAB IN ISLAMABAD

INDIA AND Pakistan agreed yesterday to pull 50,000 more troops back from their border area by March 17, bringing the total number of troops withdrawn to 200,000 since February 4.

Pakistan's Foreign Secretary, Mr Abdul Sattar, said the agreement had been reached during talks with India's External Affairs Secretary, Mr A. S. Gonsalves. The talks began on Friday and ended on Monday.

With these troops returned to their peacetime locations more than 70 per cent of the forces would have been removed from the border areas.

The presence of the troops on the border brought about a state of confrontation between the two nations in January. Prime Minister Mohammad Khan Jinnah of Pakistan and

Mr Rajiv Gandhi, India's Prime Minister, at that time decided to pull back the troops and start negotiations on the highly volatile situation.

The 50,000 troops are located on a 300-mile portion of the border stretching from Chhor close to the Pakistani city of Khokhropur, and moving up to Mandi Sadatganj near the Pakistani city of Sahiwal.

More troops still on the border in India's Rajasthan State, opposite Southern Sind Province, will start withdrawing on March 18, but the date on which the evacuation will be complete will be worked out later.

Mr Sattar said: "The pull-out of troops will be undertaken in a graduated manner" and will be monitored through regular contact to be maintained between the directors-general of military operations of India and Pakistan.

A Jana report from Tripoli said Mr Omar al-Monesser had been appointed Secretary-General of the General People's Congress, a post equivalent to Prime Minister, replacing Mr Jaddalah Azouar al-Talhi.

Mr Talhi succeeds Mr Kamel Hassan al-Mansour as secretary of Foreign Liaison (Foreign Minister).

Mr Fawzi Shakhshuk, Secretary-General of Planning, who usually represents Libya at Opec meetings, takes over the Civil Service portfolio in the reshuffle.

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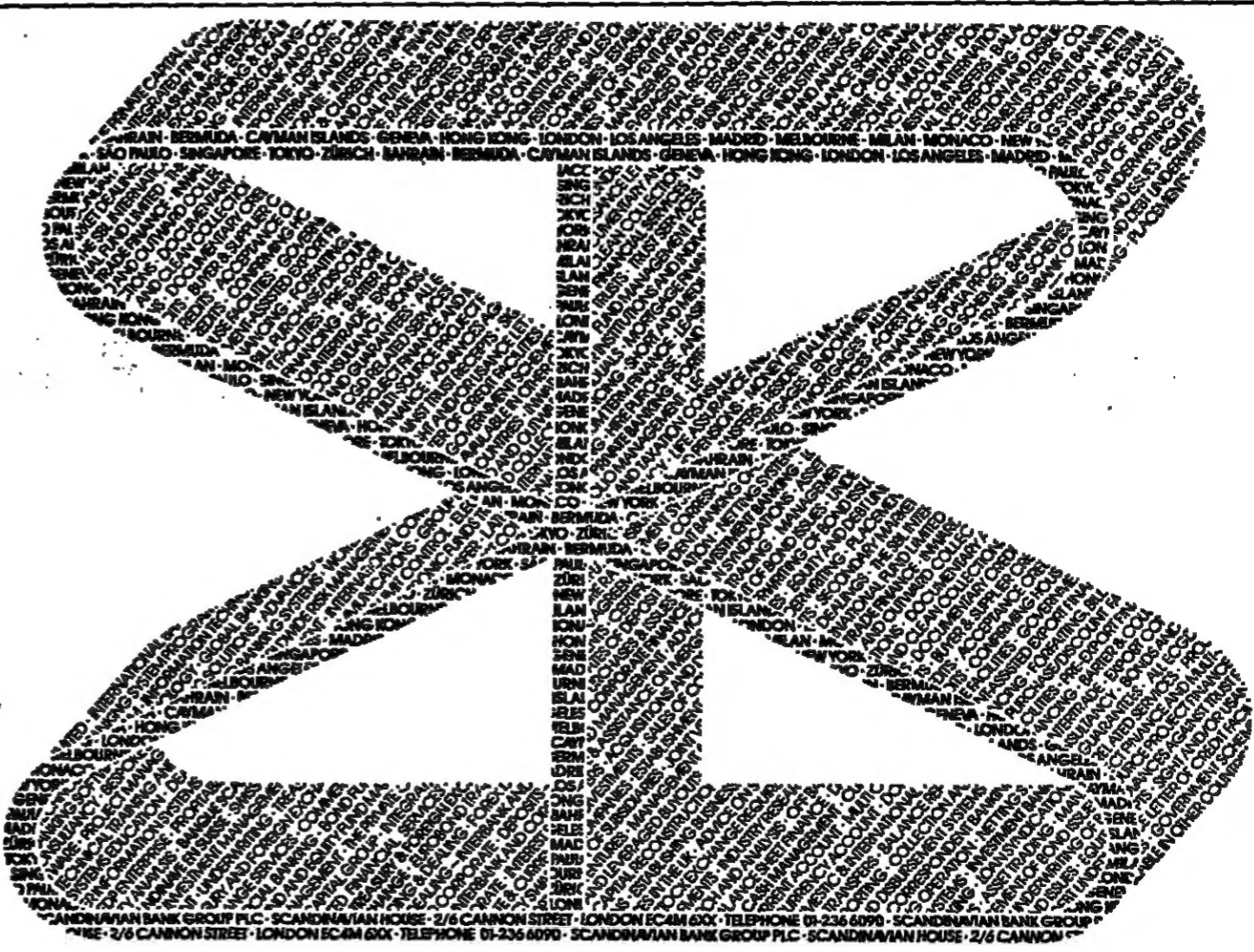
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Expansion of US industry slows in February

By Nancy Dunne in Washington

THE US industrial sector continued to expand last month but failed to maintain the sharply higher growth rate recorded in January, according to a monthly survey of purchasing agents.

The survey, conducted by the National Association of Purchasing Management, concluded that the pace of new orders slowed last month. One-third of the purchasers reported a pick-up in new orders, compared with 40 per cent in January.

A total 31 per cent reported improved production, more than three times the number who said it had fallen off.

Mr Robert Bretz, association chairman, said: "The slowing in new orders shouldn't be significant enough to dampen prospects for a respectable first quarter."

As in the five previous months, prices continued to climb in February.

Quebec appeal on signs

The Quebec Government will take the issue of French-only signs to the Canadian Supreme Court, Robert Gibbons reports from Montreal.

The Quebec Court of Appeal last December struck down the French-only signs clauses of Quebec's French Language Charter (Bill 101) saying they contravened guarantees of freedom of expression in both the Canadian and Quebec Charters of Rights.

Bolivian cabinet move

President Victor Paz Estenssoro of Bolivia has sworn in a cabinet with five new ministers and promised there will be no shift in his economic policies or his fight against drug trafficking, Reuters reports from La Paz.

In the most significant change following last week's surprise resignation of the 19-member cabinet, Mr Paz Estenssoro appointed Juan Carlos Duran as Interior Minister, responsible for stemming the production of coca leaf, the raw material for cocaine.

Riot bodies found

The remains of 29 Maoist rebel inmates, killed during riots last June in Lima, have been recovered from the rubble of the island prison, El Fronton, Reuters reports.

The prisoners were among some 250 Shining Path guerrillas the Government says were killed when paramilitary police and marines put down uprisings at three Lima prisons.

Mexican leaders' power battle with strikers

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government has taken over the daily running of one of the country's two state-owned power utilities, in response to strike action by the electricians' union, the Sindicato Mexicano de Electricistas (SME).

There is a risk the conflict will spread to the rest of the public sector, kept strike-free by pro-Government unions since Mexico sunk into its worst financial and economic crisis for half a century in August 1982.

The strike is first and foremost about wages, though the Government's aggressive response may quickly turn it into a conflict about the right to strike.

It comes at a delicate time for the ruling Institutional Revolutionary Party (PRI), which began its 13th national congress yesterday as part of the process leading to the selection of President de la Madrid's successor.

But congresses are occasioned when the PRI, over 60 years in power, feels obliged to reassert its traditional link with the labour movement.

Second, the strike follows the recent conflict at Mexico's main university, settled provisionally last month by the authorities caving in to student demands to withdraw a reform package rather than risking a widening of the dispute.

The students' movement has

been quick to throw its weight behind the SME, which is to lead what promises to be a big protest march in Mexico City today, calling on the Government to put wages ahead of foreign debt payments in its priorities.

Support for the electricians has already come from about 100,000 teachers who yesterday began a 48-hour strike in the depressed southern states and from workers at over 20 universities who began striking today.

The SME is seeking the 23 per cent minimum wage rise decreed by the Government to come into effect from January 1. Minimum wage levels are used as a guide by unionised

workers negotiating labour contracts.

The Government is refusing across-the-board increases in the public sector on cost grounds, union officials say, though all but the SME have postponed strike action until next week to give ministers a chance to reconsider.

The SME, however, is in the vanguard of the labour movement and has put itself at the head of dissident unions while remaining part of the Labour Congress, dominated by the powerful pro-Government trade union confederation, the CTM. It has also led the trade union campaign for Mexico to declare a moratorium on its \$100bn (£86bn) foreign debt.

The SME's position is thus exposed. The effectiveness of its action has been weakened by the Government takeover.

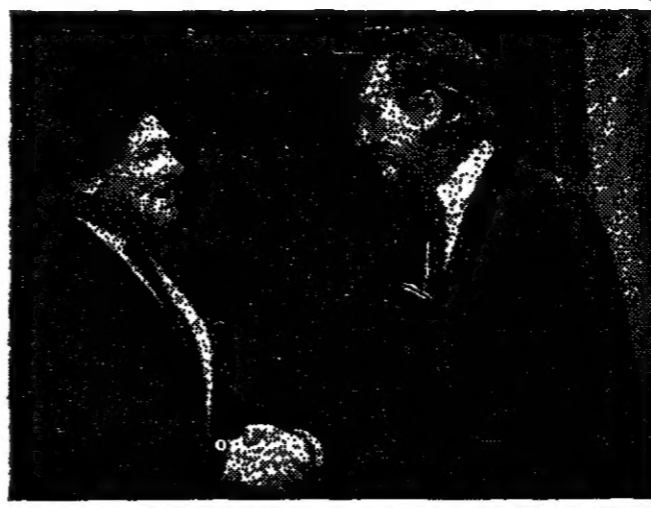
The SME is one of two electricians' unions, employed by the Compania de Luz y Fuerza del Centro (CLFC), the utility which supplies Mexico City.

But the CLFC is in the process of being liquidated and fused with the larger Compania Federal de Electricidad (CFE), which has a separate, more docile union.

If the Government sees nothing but declarations of support for the strike from the mainstream unions it could decide the moment is right to speed this process and liquidate the SME into the bargain.

Alexander Nicoll reports on an unusual coincidence of debt pacts

Banks stymie Brazilian crusade



Mr Nigel Lawson, the British Chancellor of the Exchequer, welcomes Mr Dilsen Fumero, the Brazilian Finance Minister, to 11 Downing Street, London, yesterday.

\$7.7bn loan and \$43.7bn rescheduling set a crucial precedent in reducing the interest margin above London interbank offered rates (Libor) to 18 per cent points, as well as in easing other terms. On Friday, bankers were holding up a virtually completed agreement with Venezuela as a new — and in their view, more realistic — benchmark.

The revised agreement for Venezuela obliges it to continue repaying principal over the next three years, albeit a reduced amount at \$1.35bn rather than the \$3.36bn envisaged in the previous accord reached a year ago. Bankers say that for a country repaying principal with no interest arrears and needing no new money, the margin now set for Venezuela should be seen as a yardstick.

A similar message was intended to be provided by the agreement struck with Chile the previous day, even though banks gave away a new precedent which is already being sought by Ecuador as well.

Chile, which bankers point out has observed its obligations under International Monetary Fund programmes, obtained a spread of 1 percentage point above Libor on \$10.6bn of rescheduled debt and 14 on loans advanced since 1983.

The banks agreed for the first time to receive interest once a year instead of twice a measure, known as "re-timing," which could be viewed as a step towards capitalisation of interest but which reduced Chile's funding needs by \$447m.

The result was that Chile will need no new money from the banks provided that it can

arrange bilateral reschedulings of debts to governments.

Progress has also been made with Mexico. The bank advisory committee has sent documentation for its package to over 400 creditor banks, so that the signing can begin on March 20. Argentina, which last week arranged a \$500m bridging loan from foreign governments designed to shore up international confidence, was also negotiating with its bank advisory committee and bankers expected the talks to reach a satisfactory conclusion.

The likely outcome for the Philippines, which begins talks with banks this week, and Nigeria, which is attempting to cajole Japanese banks into a package already agreed, is less clear.

It is also far from clear whether the banks' readiness to fall in line in other negotiations will help them in their discussions with Brazil. They have expressed grave concern to Brazil about its action, have resented their desire for Brazil to introduce plausible economic measures and may have legal remedies for its unexpected freeze of short-term credits.

But otherwise they can do little but wait for Brazil's demands and see whether they are backed up by economic measures. Perhaps more importantly, they will want to know what attitude the US Government will take.

Mr James Baker, US Treasury Secretary, was saying last week that the Brazilian problem was temporary and would be worked out between the country and its banks. But this studied distancing should be set against his direct intervention, earlier this year, in talks with sovereign creditors which enabled Brazil to obtain the first Paris Club agreement not backed by an IMF accord.

McFarlane 'sense of failure'

By Nancy Dunne in Washington

MR ROBERT MCFARLANE, former National Security Adviser to President Reagan, tried to commit suicide last month because, he said, of "a sense of having failed the country" in his involvement with the Iranian arms deal.

In an interview yesterday in the New York Times, Mr McFarlane, who has been having psychiatric treatment since he took an overdose of valium, said that he had been driven to despair by the belief that "if I had stayed in the White House, I'm sure I could have stopped things from getting worse."

Mr McFarlane said he had had difficulty getting Mr Reagan's attention in briefing him on foreign affairs. "The President is a man who admires men who have accomplished means and become wealthy and demonstrated considerable accomplishments."

Thus, he respected Mr George Shultz, the Secretary of State, Mr Casper Weinberger, the Defense Secretary, Mr Don Regan, the former Chief of Staff, and Mr George Bush, the Vice-President.

But Mr McFarlane was simply a bureaucrat. "I didn't quite qualify. It didn't do any good to know a lot about arms control if nobody listened," he said.

● The Reagan Administration planned to ransom a hostage in Lebanon last year with chemically treated cash that would have disinfected after several days, the New York Times said yesterday. Reuters reports from New York.

The plan fell apart because of the US bombing of Libya

Shell gas find in jungle puts Garcia in dilemma

BY DOREEN GILLESPIE IN LIMA

A BIG gas find by Royal Dutch/Shell in the Peruvian jungle has presented President Garcia's Government with a dilemma.

It either has to give Shell special contractual terms to develop the gas, in contradiction to the hard line it has so far taken with foreign oil companies, or face the task of raising the \$750m (£535m) Shell estimates it will take to put Peru's first major oil find into production.

Shell has told Petro-Peru it needs a 40-50-year contract and a minimum oil price of \$18 a barrel to make the investment feasible.

Shell has found seven trillion (million million) cu ft of gas plus 300m barrels of concentrates in Peru's central southern jungle, under a 30-year contract for oil exploration and development.

The contract's only provision for gas finds, which were considered of secondary importance when the contract was signed, requires Shell to negotiate mutually satisfactory terms with Petro-Peru to develop gas.

The projected investment includes construction of a 530 kilometre pipeline to carry the gas over the Andes to the port

of Callao, and a secondary line for condensates.

The Government, which has not yet put together a promised new petroleum law with incentives to boost depleting oil reserves, has begun looking at legislation in other Latin American countries to decide how to deal with the question.

Shell says the gas reserves are equivalent to 1.2bn barrels of oil reserves in energy terms. Shell has given Petro-Peru a letter of intent to develop reserves, and has offered an initial production of between 50m and 100m cu ft a day within three years.

This is to be increased to 200m cu ft a day by the year 2000—enough to replace 35,000 barrels a day of oil for local consumption.

Petro, which has oil reserves of 500m barrels, is producing 175,000 barrels a day of oil, including 120,000 b/d for local demand.

Shell, the only international oil company operating in Peru apart from Occidental Petroleum, has found gas in three out of four exploration wells drilled since 1985.

It is about to drill a fifth well to test existence of a possible oil rim in the area of the gas.

Guatemalan army dispute puts democracy in spotlight

THE FRAGILITY of Guatemala's fledgling democracy under the Government of Christian Democrat President Venicio Cerezo Arevalo was highlighted last month in what appeared to be a power struggle between two senior army officers, Gen Hector Alejandro Gramajo and Gen Edilberto Letona.

Tensions were eased with the departure of Gen Letona to the US and his subsequent resignation as the recently-appointed Military Chief of Staff, ostensibly because of health problems.

President Cerezo was away on a state visit to Argentina when Gen Letona's resignation was announced.

This faction fighting within the military has undermined President Cerezo's constitu-

tional rights to decide on key military appointments.

It has also bolstered the ego of ultra-conservative politicians and the land-owning oligarchy who are apparently eager to provoke an uprising against the Government by exploiting the divisions in the army.

Diplomats believe the triumph of Gen Gramajo, appointed Defence Minister on February 2, would serve as a boon to the civilian Government.

Gen Gramajo, a US-trained officer, is generally regarded as more professional and less corrupt than his military predecessors, whereas Gen Letona was associated with a small group of military men who still believe that the civilians are incapable of running the country.

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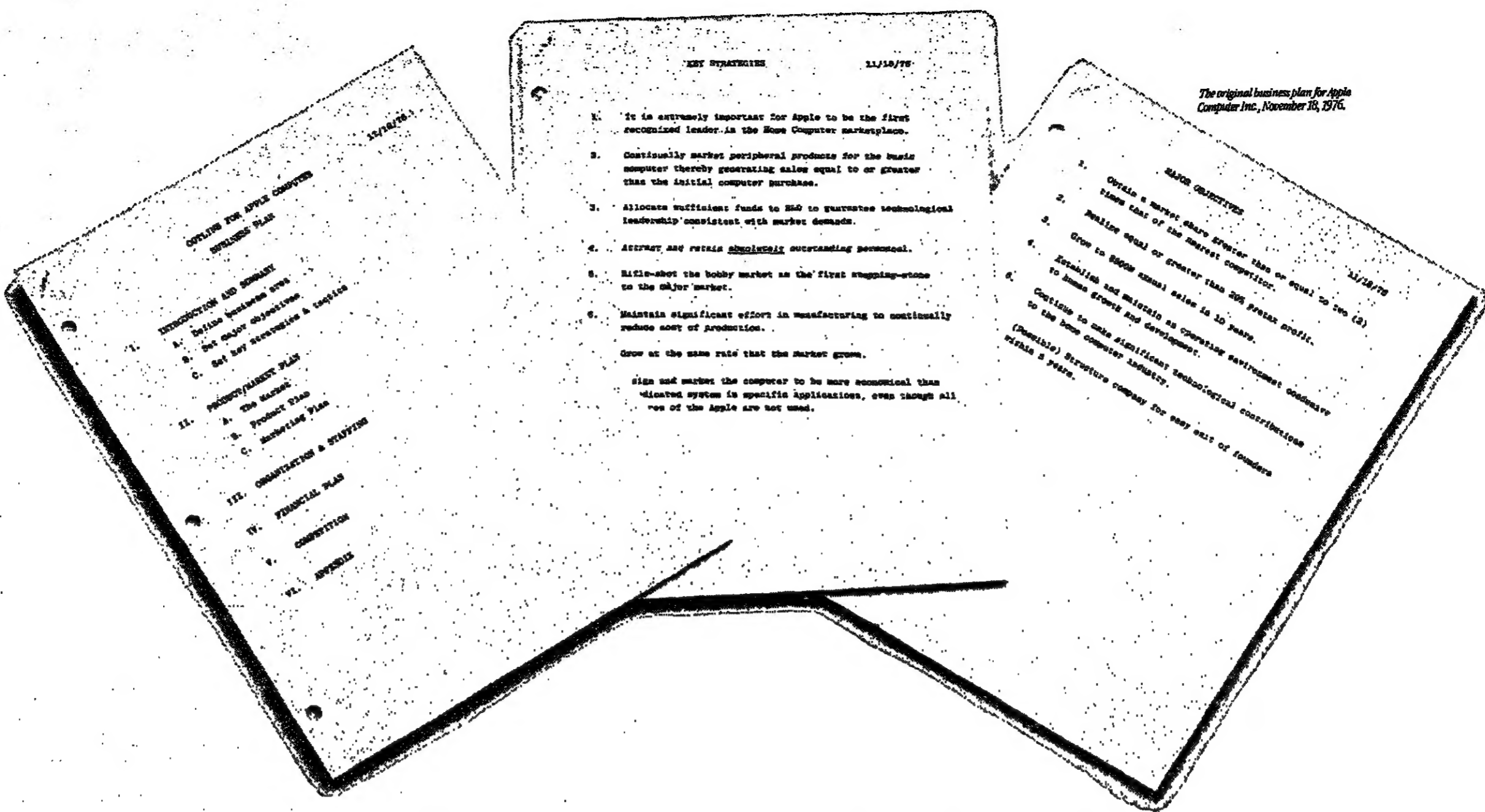


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WORLD TRADE NEWS

Moscow considers 30 Western joint venture applications

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Soviet Union has received about 30 serious applications from Western companies wishing to set up joint ventures there under new legislation enacted in January, Prof I. D. Ivanov, deputy chairman of the State Commission for Foreign Economic Relations, said in London yesterday.

The applications are now being processed, he told the Financial Times, but the first one under which the privately owned West German publishing house Burda will participate in the launch of a new Russian-language women's magazine is due to be announced in Moscow this week.

Also close to completion is a joint venture between Finnair and the Soviet Intourist travel service for the refurbishment of the Hotel Berlin in central Moscow.

Prof Ivanov said the applications for joint ventures had come from a wide range of countries, including India, but only one serious application had come from a British company, which he declined to name.

Under the new legislation, which is part of the Soviet Union's efforts to reform its international trading rules, Western companies can take a stake of up to 49 per cent in joint ventures, although the top management has to remain in the hands of Soviet personnel.

Earlier, Prof Ivanov had urged an audience of businessmen at the Confederation of British Industry to submit proposals for joint ventures in a speech outlining the new Soviet trade policy which aims to lead to an eventual trade balance and a doubling of the volume of foreign trade by the turn of the century.

At the moment only the Soviet railways, which transport Japanese goods to Europe, and the Sports Committee, which sells television rights to sports events, are net earners of foreign exchange.

Separately, Mr Ivanov hinted in an interview that the Soviet Union might announce one or two major contracts for British companies at the time of Mrs Thatcher's visit to Moscow around the end of the month.

"We will come with something," he said, though he declined to be specific.

Hope of new contracts between the Soviet Union and Britain rose last month after signature of a new framework export finance agreement by the Export Credits Guarantee Department, though some companies have been worried by the fact that the agreement does not allow for contracts to be financed in low interest currencies such as Yen and D-Marks, which the Soviet Union traditionally prefers.

EEC launches probe into Soviet exports of mercury

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission yesterday launched an inquiry into allegations that the Soviet Union was selling mercury in the EEC at unfairly low prices.

The Brussels authorities said that they are pursuing a complaint that Soviet mercury was being dumped in the Community last year at 40 per cent less than EEC prices, thereby artificially depressing an already weak price for the metal.

The complaint comes from the European Federation of Non-Ferrous Metal Industries on behalf of Minas de Almadén y Arrazanes de Madrid, a leading mercury producer. It claims

that Soviet mercury exports rose from negligible levels to 100 tonnes during the three months from last August.

That represents an annualised rate of 400 tonnes per year, or 25 per cent of the EEC's 1,600-tonne mercury market. As a result, EEC producers have been forced to cut prices to a point where they no longer cover costs, claims the federation.

It points out that while Community sales volumes rose by 4 per cent last year, financial turnover slipped by 5 per cent, resulting in the industry suffering significant losses.

Guang Ying mill spins China into new era

Anthony Moreton, recently in China, reports on a successful international joint venture in textiles

TO REACH the Guang Ying Spinning mill in one of the less salubrious suburbs of Guang Zhou (once better known as Canton) the official bus passes an architecturally impressive sports stadium and turns off the dual carriage way into a seedy lane where the open air meat market fights a battle with the dust thrown up by the bus and other passing traffic.

The mill, like the journey, is part of the new China set in the old. Filled with the latest European machinery from Rieter, Schlafhorst and Volkman its 280 employees work three shifts a day around the clock, six days a week, producing 2m kilograms of industrial sewing thread a year. This can compare favourably with anything in the West. All of it is destined for the US.

Mrs Chen Ying, its chairman, is also part of the new China. She is dressed western style in a neat port wine coloured two-piece suit and talks about how "productivity and quality standards have reached projected levels" and why the policy of opening China to the outside world is correct and successful.

The Guang Ying mill is far removed from its half-brother up the road, the face of the old China where almost three times as many workers produce less than the output of the new plant.

Guang Ying is a joint venture with Tootal, one of the world's leading producers of sewing threads. Tootal put up half the mills (\$12m) cost in conjunction with Standard Chartered Bank and will absorb the whole of the output into its US thread operations.

Mr Geoffrey Maddrell, Tootal's Managing Director, is delighted both with the reception he received from Mrs Chen at the opening of the plant, and with the plant itself which he described as "one of the most modern in the world producing yarn capable of competing in the most rigorous international markets".

When Tootal first talked to the Chinese about a plant in Guang Zhou the idea was that it should take around two thirds of the output and leave the rest for the local management to sell within China.

However, the purchase of Standard-Chartered (SCT) one of the leading US producers of thread by the expansion-minded Manchester, England company last November has altered the formula. Tootal has arranged to take the whole of the output from the Guang Ying mill and market it in the US through its US thread subsidiary.

The move delighted the Chinese. China is desperately hard up for foreign currency earnings and the

GROWTH in the number of tourists visiting China fell significantly last year, down from an average of 21 per cent in the previous four years to 8.2 per cent, leaving a reassessment of the country's ambitious foreign exchange-earning goals in the industry, reports Robert Thomson from Peking.

The director of the China National Tourism Administration,

Han Kehua, blamed the smaller increase on "momentaneous" and "poor" service that did not meet international standards. These poor standards were reflected in a 7.5 per cent fall in tourists over the age of 51.

Industry analysts said the year was a turning point because a large percentage of the many tourists who had long wanted to visit, but could not because the

country was closed, has passed through, and China must now prove itself against tough tourist competition.

China planned to have 5m foreign tourists annually by 1990, but the figure last year was 1.48m, and the slower growth has put the target out of reach. However, foreign exchange earnings from tourism last year were \$1.53bn, up 22.4 per cent on 1985.

thread with a cotton centre, surrounded by polyester.

Core spun is the thread of the future. It has greater added value and is being produced at the recently opened Newton Mearns plant outside Glasgow. This mill is "among the best of its sort in the world," according to Mr Maddrell.

At the moment Hong Kong is dyeing 80 per cent core spun thread and 20 per cent core spun polyester. Within the next 12-18 months it hopes to boost its throughput of core spun to around a third which will mean that the total amount processed in Tuen Mun should rise by just over 40 per cent.

Changes are also taking place in the dyeing business. With fashion becoming a much more rapidly changing business - the old idea of two seasons a year, spring and autumn, have gone replaced by four or six - dyeing has to take place nearer the customer.

The company's strategy is to dye the standard shades - those which have long production runs in the US or the Far East.

Mr Maddrell believes that profit from the Far East could be doubled possibly even trebled as a result of the changes. "That really would be an important contribution and would move Tootal as a company forward in a significant way."

decision by Tootal means a welcome addition to its overseas income.

"Guang Ying is, strategically, very logical," Mr Maddrell says. "We want to control distribution in our markets. We sell thread in 15 countries around the world and have run down the expensive production centres."

"When we bought SCT we sold back the production facilities to its former managers because we don't want to own all the mills. We see the future lying in getting thread to the customer on time and that means controlling distribution rather than production. We bought SCT for its distribution network."

"Textile production is an international business and thread is a very international part of it. So distribu-

tion, getting the product to the customer on time in the colour and amount he wants, is essential to success," Mr Maddrell explains.

Thread accounts for just under half Tootal's turnover and half its thread business is in the US. Clothes houseware and fabrics make up the rest of the output. By concentrating on buying in from low-cost suppliers and processing nearer the markets, Tootal hopes to jack up the rate of return in what has been for some years a stubborn problem area.

US thread has been bumbling along making around 10 per cent of capital, half the rate produced by the rest of the company's business. By putting low cost products through a high cost market Mr Maddrell believes he can get the

rate of return on the US subsidiary, much nearer that of the company as a whole.

The key lies in management. Tootal has put in Chinese managers from its Hong Kong subsidiaries and these have made a big difference. Tootal has been improving also the Hong Kong operations. This year it expects to spend just over \$1m on its dye house at Tuen Mun in the new territory which will enable it to improve colour quality control.

Mr Anthony Che, head of China Thread, said that although the improved dye house could allow the company to handle more spun polyester thread from China, it would also be handling a greater amount of the vastly more important and profitable core spun thread - a

Indonesia in helicopter pact

By John Murray Brown in Jakarta

MESSERSCHMITT-BOELKOW-BLOHM (MBB), the West German aircraft manufacturer, has awarded Indonesia a licence to make its BO-105 helicopter for export.

The agreement announced yesterday by Indonesia's state aerospace company PT Nusantara (IPTN) is another feather in the cap of Dr Yusuf Habibie, a former director of MBB and now Indonesia's Minister of Research and Technology.

Dr Habibie confirmed Indonesia would manufacture an additional 80 to 100 BO-105s under the deal. The twin-engine helicopter is already being part built under licence at IPTN's Bandung factory for the domestic market. The BO-105, which is powered by two Allison 250-C20 turbine engines, is expected to sell for \$1m, \$200,000 less than in West Germany.

GM pursues delayed car assembly plans in Egypt

By TONY WALKER IN CAIRO

GENERAL MOTORS' proposal to begin assembling cars in Egypt in partnership with a local manufacturer has fallen about 12 months behind schedule, raising questions about whether the scheme will ever be implemented.

But GM representatives say that detailed technical discussions are proceeding in Cairo this week between company representatives from Detroit and local partners, and that all parties are heading towards an agreement.

In February GM and its Egyptian partners, the state-owned El Nasr Automotive Manufacturing Company (Naseco), the Mir Iran Development Bank and Export Development Bank of Egypt signed a protocol which is expected to lead to the incorporation of a new company, the General Nasr

Car Company, to assemble Opel kits from West Germany and Spain. GM and Naseco, each with 50 per cent, will be majority shareholders in GNCC.

The company is proposing to assemble Opel Ascona and Corsa kits with an increasing range of components being supplied by locally-based feeder industries involving foreign partners. It is planned that these feeder industries eventually produce items for export that will be supplied to GM's Opel plants in Europe to help finance the import of car kits.

Discussion between GM and its partners is focusing on such matters as price and volume of production. Naseco is also anxious that GM agree to supply Corsa kits with a smaller capacity engine more suitable, they believe, for the local market.

Qantas to buy four Boeings

By CARLA RAPOPORT IN SYDNEY

Qantas, Australia's national airline, is to buy four advanced long-range Boeing 747-400s for \$600m, Reuters reports from Sydney.

The airline is still evaluating the choice of engines. It has submissions from Rolls-Royce of the UK and General Electric and Pratt and Whitney of the US.

Mr Jim Leslie, chairman of the government-owned carrier, said the fuel-efficient Boeing 747-400s would keep Qantas competitive with British Airways and Singapore Airlines on its Britain-Australia and trans-Pacific routes.

The aircraft will be able to fly from Perth to London non-stop, Mr Leslie said.

He added that the first 400 series jet is scheduled to roll out in January, 1988, and have its maiden flight a month later.

Japan's help sought against Third World music piracy

By CARLA RAPOPORT IN TOKYO AND DAVID THOMAS IN LONDON

THE WESTERN music industry is to ask the Japanese electronics industry this week to help fund anti-piracy campaigns in various Third World countries.

At a meeting between the two sides last December, the Japanese agreed in principle to collaborate in fighting commercial piracy of copyright music material.

However, the Japanese would not agree to measures proposed by the Western music industry to make home taping difficult on a new Japanese audio system, called digital audio tape.

On Thursday, Mr Nesuhi Ertegun, president of the International Federation of Phonogram and Videogram Producers, the international trade association representing 840 music

companies, will present ideas for combatting commercial piracy to the Electronics Industry Association of Japan (EIAJ).

He is likely to ask the Japanese to help fund anti-piracy campaigns, in which the music industry is already engaged, in several Third World countries.

However, the EIAJ is not expected to agree to any international bilateral initiatives on the piracy front. "Our activities are limited to the domestic market. I think it would be hard for us to co-operate in foreign countries. The proposal is really too big for us," said an EIAJ official yesterday.

The Japanese want the issue broadened to include their industry counterparts in the US and Europe.

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LAW

Guarantor permitted to leave UK

**ALLIED ARAB BANK
HAJJAR AND OTHERS**
Queen's Bench Division (Commercial Court): Mr Justice Leggatt: February 23 1987.

A writ to stop a defendant leaving the country is invalid if its primary purpose is not to prevent prejudice to the plaintiff in prosecution of his action, but to facilitate execution of the judgment. The writ should be granted if the primary purpose is to prevent prejudice to the plaintiff in prosecution of his action, but to facilitate execution of the judgment.

Mr Justice Leggatt so held when discharging a writ ne exeat regno issued by Mr Justice Hirst against defendant, Mr Taj El Arefin Hajjar on an ex parte application by the plaintiff, Allied Arab Bank Ltd, in its action against Mr Hajjar and nine other defendants.

HIS LORDSHIP said that on January 13 1987 a writ ne exeat regno was served on Mr Hajjar, a Jordanian citizen. It was issued by leave of Mr Justice Hirst and was marked with the hall which must be found if Mr Hajjar were to avoid arrest. The sum marked was \$38m.

Mr Hajjar was unable, or refused, to pay the required sum. He was arrested and taken to Kingston jail. The next day he was brought before Mr Justice Hirst. Undertakings were exacted from him as the price of release from prison, and a Mareva injunction was issued restraining him from dealing with or disposing of his assets until after trial of the action.

The court also ordered (a) that within 21 days Mr Hajjar should disclose the full value and whereabouts of his assets within the jurisdiction exceeding \$1,000; and (b) the full value and whereabouts, to the best of his knowledge, of the other defendants' assets within the jurisdiction exceeding \$1,000.

The bank's claim arose out

of substantial lending to Murray Clayton Ltd, now in liquidation. Mr Hajjar was one of the guarantors. No defence was suggested to that part of the claim which was made under the guarantee, but the bank's overriding cause of action was for damages for fraudulent conspiracy.

Mr Hajjar and his associates were alleged to have dishonestly procured a number of companies to dissipate the borrowed funds so as to render them irrecoverable. For the purposes of the action, while denying that he acted fraudulently, Mr Hajjar admitted that the bank had a good arguable case against him and so was entitled to maintain the Mareva injunction.

In December 1986 Arab Bank Ltd, which was not connected with the plaintiff bank, had obtained summary judgment against Mr Hajjar and others for about \$60m. Although the plaintiff bank contended it could obtain summary judgment against Mr Hajjar on the guarantees, it deliberately refrained from doing so, but proceeded in fraud.

In giving leave for the writ ne exeat regno Mr Justice Hirst said he was satisfied on the evidence that there was a likelihood that Mr Hajjar was about to leave the jurisdiction. He held that the evidence demonstrated a strong prima facie case that Mr Hajjar was the controlling hand of the various corporate defendants; had repeatedly broken promises to the bank; had given misleading information as to his whereabouts; had stayed out of the country during 1985 pending settlement of Customs and Excise proceedings; and that his present visit to the UK was not disclosed to the bank notwithstanding its numerous attempts to fix a meeting with apparently co-operative response.

Mr Hajjar now applied for discharge of the writ ne exeat regno on the ground that it ought never to have been made, and for an order that requirements (a) and (b) of Mr

Justice Hirst's order be set aside or varied. The established practice was that the writ would not be issued except where four conditions, stipulated by section 6 of the Debtors Act 1869, were satisfied.

In *Fulton v Collis* (1969) 1 QB 200 Mr Justice Megarry summarised those conditions as: "(1) The action is one in which the defendant would formerly have been liable to arrest at law. (2) A good cause of action of at least \$50 is established. (3) There is probable cause for believing that the defendant is about to quit England unless he is arrested. (4) The absence of the defendant from England will materially prejudice the plaintiff in prosecution of his action."

There was no dispute about conditions (2) and (3). Mr Wadsworth for the bank argued that condition (4) was satisfied, in that "prosecution of the action might include discovery and a Mareva injunction."

A Mareva injunction was issued for the purpose of preserving assets within the jurisdiction against which a creditor might have recourse if he obtained judgment. The remedy was in aid of execution. It was not part of prosecution.

If the case were a proprietary or tracing claim it might well be appropriate for a writ to issue as well as a Mareva injunction. But in every case the question must be asked, "For what purpose is issue of the writ required?"

Here the primary purpose was to require Mr Hajjar to identify assets in relation to which the Mareva injunction would operate. That was not part of the prosecution of the action.

It followed that condition (4) was not satisfied.

With regard to condition (1), a debtor was never liable to arrest at law except for a debt certain.

The bank was prosecuting its claim for damages, having refrained from proceeding on

the debt arising under the guarantee. Under condition (1) Mr Hajjar would not have been liable to arrest at law, since the claim effectively being prosecuted was not the claim for debt; or alternatively, in so far as it was, it was not for the purpose of prosecuting that part of the claim that the writ was sought.

The cause of action on the guarantee was not one for the prosecution of which Mr Hajjar's presence in the UK was required. Conversely, his absence would not materially prejudice the bank in the prosecution of that claim.

The scope of the writ was, in any event, confined to equitable claims. None of the bank's claims in the action was equitable.

Mr Wadsworth argued that because the forms of action were no longer observed, the writ ought no longer to be confined to equitable claims. It was true that any court could now apply the equitable remedy; but it did not follow that it was to be treated as having a wider application than it formerly had.

The Court of Appeal in *Drover v Beyer* (1979) 13 Ch D 272 decided that since the debt there was a mere legal demand for which the plaintiff could not have sued in Chancery before the Judicature Act, the defendant could only be prevented from leaving England under section 6 of the Debtors Act 1869.

That decision was binding. The bank was not entitled to issue of the writ.

The writ has discharged and an inquiry as to damages was ordered, to be heard after trial or abandonment of the action. The undertakings given by Mr Hajjar were also discharged.

For the bank: James Wadsworth, QC, L. J. West-Knights and Michael Pooles (Richards Butler).

For Mr Hajjar: Roger Buckley, QC, and Richard Sheldon (William F. Prior & Co.).

By Rachel Davies Barrister

Nominee shareholder cannot escape information order

RE GEERS GROSS PLC
Chancery Division: Mr Justice Vinelott: February 10 1987

A COURT order restricting the transfer of shares will not be lifted on the ground only that the nominee holder is willing to sell them on the open market so as to escape a requirement to provide information concerning the beneficial interest.

Mr Justice Vinelott so held when refusing an application by SM Nominees Ltd (SMN) and Guyerzeller Bank AG (GB) for an order lifting restrictions on shares in Geers Gross PLC imposed by Mr Justice Whitford.

Section 212 of the Companies Act 1985 provides: "A public company may require a person whom [it] has reasonable cause to believe... has been interested in shares... (a) to confirm that fact... and (b) to give further information..."

Section 216: "(1) Where... that person fails to give... information required... the company may apply to the court for an order directing that the shares... be subject to the restrictions of Part XV (which includes restrictions on transfer)."

Section 456: "(3)... an order... directing that the shares shall cease to be subject to the restrictions may be made only if (a) the court is satisfied that the relevant facts... have been disclosed... or (b) the shares are to be sold."

HIS LORDSHIP said that on November 28 1986 Mr Justice Whitford made an order imposing restrictions on share holdings in Geers Gross.

One of the holdings was registered in the name of SMN as nominee for GB, a Swiss company. In the present application, SMN and GB sought (a) an order to permit the sale of 410,000 of the shares on an arm's length basis through the London Stock Exchange; and (b) completion of sale of two small parcels of 30,000 shares each, sold through brokers on November 21 and 25 for settlement on December 1 and 15.

Geers issued share capital consisted of 15,129,494 shares, which were listed on the London Stock Exchange. In February, Geers entered into an agreement with Eurocom SA

to issue to Eurocom shares equal to 10 per cent of the issued share capital. Eurocom undertook that it would not, within 10 years, increase its stake to more than 20 per cent of the issued share capital, either alone or acting in concert.

On November 4, 1986 Eurocom increased its holding to 19.98 per cent.

From June 1985 to June 1986 Geers had been concerned about the growth of large holdings registered in the names of nominee companies. It made enquiries into the beneficial ownership of those shares. It wrote to SMN in December 1985 to ask the names of beneficial owners of 450,000 shares—and was told they were held in the order of GB.

On November 17, Geers sent formal notice to GB under section 212 of the Companies Act 1985, asking for full particulars of its present and past interests in shares held in the preceding three years. It asked for the information to be supplied by November 26. The letter was not received by GB till November 28, which was the date of the ex parte application to Mr Justice Whitford.

The reason for making an ex parte application was that Geers suspected GB might otherwise escape any obligation to give details of the beneficial ownership of shares by selling them before the application came before the court.

GB replied to Geers on November 28, saying that it held the 450,000 shares for clients and that Swiss banking law did not permit disclosure of clients' names.

Subsection (3) of section 456 of the Act provided that the court's power to order that shares should cease to be subject to restrictions should only be made if (a) the court was satisfied that the relevant facts had been disclosed and no unfair advantage had accrued as a result of earlier failure to disclose; or (b) the shares were to be sold and the court approved the sale.

GB's case was that the legislation contemplated that where an order imposing restrictions had been made, either the shareholder would disclose the information or, alternatively, the court might permit the shares to be sold on the open market. Once the order had been made imposing restrictions, the holder could escape

only if he was prepared to disclose his identity or to put the shares back into ordinary commerce.

If he was prepared to put the shares back into ordinary commerce and to give appropriate undertakings to ensure they were freely sold on the open market, it was argued, the order had served its purpose and the court should lift the restrictions.

That was far too narrow an approach to the legislation. Under section 212 a public company could require a person whom it had reasonable cause to believe to be, or to have been during the preceding three years, interested in the shares to give particulars of his own and other interests in its shares during the three-year period.

The section was not designed only to give a company the power to unmask the true beneficial ownership of shares at the time when notice was given. It might be equally concerned to discover whether there had been any concerted attempt to acquire an undisclosed stake at an earlier date.

In the present case, the company was clearly concerned and entitled to know whether there had been breaches of the Eurocom agreement. To permit GB to escape from the obligation to give information as the price for freeing the restricted shares would frustrate that purpose.

So far as the 410,000 unsold shares were concerned, the true beneficial owners could free

them from the restrictions by authorising GB to give the required information.

The two holdings of 20,000 shares were placed by brokers before the section 212 notice was served and before the order was made. Mr Pott's main objection to continuance of the restrictions on those shares was that GB did not know the identity of the purchasers.

However, GB could enquire and *prima facie* Geers was entitled to know who they were. Then, if the restrictions were lifted, it could issue further notices to the purchasers or their nominees when registered.

The balance of convenience weighed against lifting the restrictions, although of course continued refusal by GB to give the required information might have the result that innocent purchasers would be deprived of the benefit of ownership for an indefinite period.

The application failed.

For SMN and GB: Robin Potts, QC, and Mark Haggood (RAH Webb).

For Geers: Gavin Lightman, QC, and Catherine Neumann (Franks Charlesley & Co.).

By Rachel Davies Barrister

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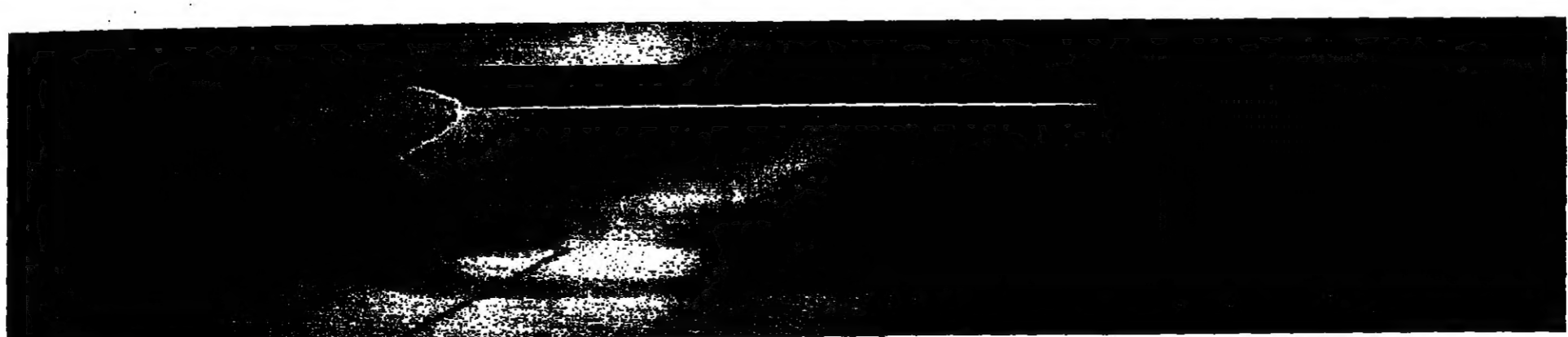
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Financial Highlights	in DM million		
	Dec. 31, 1986	March 31, 1986	Change
Assets			
Cash items and checks	69.6	49.3	+ 20.3
Due from credit institutions	3,370.0	3,060.9	+ 309.1
of which long-term	(989.2)	(999.8)	- 10.6
Bonds	784.1	839.4	- 55.3
Due from customers	13,905.3	12,247.2	+ 1,658.1
of which long-term	(13,533.6)	(11,786.7)	+ 1,746.9
Total assets	18,635.1	16,660.7	+ 1,974.4
Liabilities			
Due to credit institutions	6,460.6	5,870.3	+ 590.3
of which long-term	(4,788.9)	(4,278.8)	+ 510.1
Due to other creditors	4,152.1	3,314.0	+ 838.1
of which long-term	(4,030.6)	(3,299.0)	+ 731.6
Bonds	6,723.5	6,366.8	+ 356.7
of which long-term	(5,563.0)	(5,161.0)	+ 402.0
Share capital and reserves	733.5	601.5	+ 132.0
Total liabilities	18,635.1	16,660.7	+ 1,974.4

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Scottish agency loses chief executive

By James Buxton

DR GEORGE MATHEWSON, chief executive of the Scottish Development Agency (SDA) since 1981, is to leave his post later this year, the agency, which works for the regeneration of the Scottish economy, announced yesterday.

His place is to be taken by Mr Iain Robertson, who has been director of Locata in Scotland, the section of the SDA which encourages inward investment into Scotland.

Dr Mathewson, 46, is to take a position in the private sector, although yesterday he would disclose no details about it.

When he was reconfirmed last year for a second five-year term as chief executive, it was agreed that he could leave early if a suitable opportunity in the private sector came up.

Dr Mathewson is widely credited with having built the SDA, founded in 1974, into an imaginative and dynamic institution which is frequently held up in the rest of Britain as an example that other regions should emulate.

Before becoming chief executive Dr Mathewson was a director and assistant general manager of Investors in Industry, 31, the investment finance group.

Mr Robertson, a chartered accountant by training, has spent most of his career with the Scottish Office, before joining the SDA in 1981 and becoming director of Locata in Scotland in 1983.

North seeks cash, Page 12

INTERNATIONAL
PROPERTY REVIEW
THE FT ENERGY

Government to reward longer-serving teachers

BY DAVID BRINDLE, LABOUR CORRESPONDENT

SENIOR and longer-serving teachers will receive higher salary rises than originally planned under the pay and conditions terms, announced yesterday, which the Government is to impose on the profession in England and Wales.

Mr Kenneth Baker, Education Secretary, said his decision to raise the maximum of the proposed basic salary scale from £12,700 to £13,300 showed that he had listened to submissions made to him and had moved towards the teaching unions.

However, the unions declared their continued hostility to the Government's plans and reiterated their determination to carry on with protest strikes next week. The Labour-led local authority employers announced the plans unwelcome.

Mr John Pearson, the employers' leader said: "It is a Civil Service type structure that Mr Baker is trying to apply to the schools. He doesn't realise the difference between the Civil Service and the complexities of managing a school."

Yesterday's announcement revealed for the first time what employment conditions and duties are to be imposed on the 400,000 teachers. Most important is the Government's insistence that teachers should cover for absent colleagues for up to three days - or even longer if no temporary or "supply" teacher is available.

This looks certain to create problems in the schools, given that many teachers in areas such as inner London are refusing to provide cover at all.

The agreement reached last November between the employers and unions representing a majority of teachers limited cover to two days in secondary schools and one day in primary schools. That agreement has been rejected by the Government.

Mr Pearson said yesterday that



Mr Kenneth Baker: moved towards unions

lawyers would have a "field day" as local authorities and parents of school children resorted to legal action to try to force reluctant teachers to observe the Government's statutory package.

The package takes most of the conditions set down in the employers' abortive agreement, including specified teaching hours. But it does not offer teachers the guarantees they had negotiated in return, such as maximum class size and minimum non-teaching time for marking and lesson preparation.

Mr Fred Jarvis, general secretary of the National Union of Teachers, said: "All the elements of the negotiated agreement which would have boosted education standards have been thrown out of the window."

Mr Baker has, however, responded to criticisms that his earlier proposals, put forward last October, provided insufficient reward and incentive for longer-serving teachers. This has been done by redividing the proposals within the same cost framework of 18.4 per cent on the pay bill over 15 months.

The majority of teachers at or

near the top of their existing pay scales will receive more than had been planned, with many on the present "senior teacher" grade set to get £17,500 a year instead of the planned £16,500.

Partly to compensate for this, the five levels of supplementary allowances have been reduced in value. But they will be available by 1990 to 165,000 promoted teachers, instead of the 140,000 initially envisaged by Mr Baker.

The employers maintained yesterday that this would create an unwieldy top-heavy profession, that the introduction of 25,000 extra promoted posts on October 1 would cause chaos one month after the start of a new academic year, and that the Government had failed to decide any criteria for promotion.

The salary increases will be paid, as planned before, in two equal stages from January 1 of this year and October 1. Mr Baker hopes to have the first backdated instalment in pay packets in May, following a three-week consultation period under the Teachers' Pay and Conditions Act which received Royal Assent yesterday.

The NUT and the NAS/UMT, the second-biggest teaching union, are expected to announce on Friday the results of their joint ballot on a campaign of fresh disruptive action including a half-day strike in every school next week.

Mr Baker suggested that the hearts of the teachers were not likely to be in any further disruption in the schools, whatever the views of the "two cold war warriors" - the two main teachers' unions.

He claimed that most teachers who had taken action in recent years had done so with very heavy hearts indeed.

A teacher's life, Page 18;
Editorial Comment, Page 29

Number of foreign banks increases

THE NUMBER of foreign banks in London increased again in 1986, after falling in 1985, David Lascelles writes.

The total at year end was 463, according to a survey by Noel Alexander Associates, the consultancy firm. This compared with 454 at the end of 1985, and 459 at the end of 1984.

Last year's 24 new arrivals were mostly small banks from Europe, although there were also new banks from Saudi Arabia, Indonesia, and Japan, including the new banking subsidiary established by Nomura, Japan's largest banking house.

Departing banks, which numbered a record 18, included Crocker National Bank, which was bought by Wells Fargo and several Indian banks whose London representation was rationalised by the Indian banking authorities.

The major groupings of foreign banks in London are European (184), US (68), Japanese (40) and Arab (34).

MOTOR insurers began operating a new centralised computer database intended to help stamp out fraudulent claims. The move is a response to a widely-held belief in the industry that motor insurance fraud is becoming more frequent.

WANG laboratories announced a £3.5m expansion of its plant at Stirling in Scotland. It is to add an extra 50,000 square feet of manufacturing, warehousing and administration space to the 85,000 square foot plant, which opened in 1984. The Stirling plant is the US company's only manufacturing operation in the UK.

The plant, on the campus of Stirling University, makes personal and professional computers for the European, African and Middle East markets. Wang says its market penetration in these areas is continuing to grow. The plant employs 212 people.

LARGEST cash machine network in the UK was inaugurated when four clearing banks linked their systems. The venture brings together 3,700 cash machines owned by the Bank of Scotland, Barclays, Lloyds Bank and the Royal Bank of Scotland. Together, they have more than 6m cardholders.

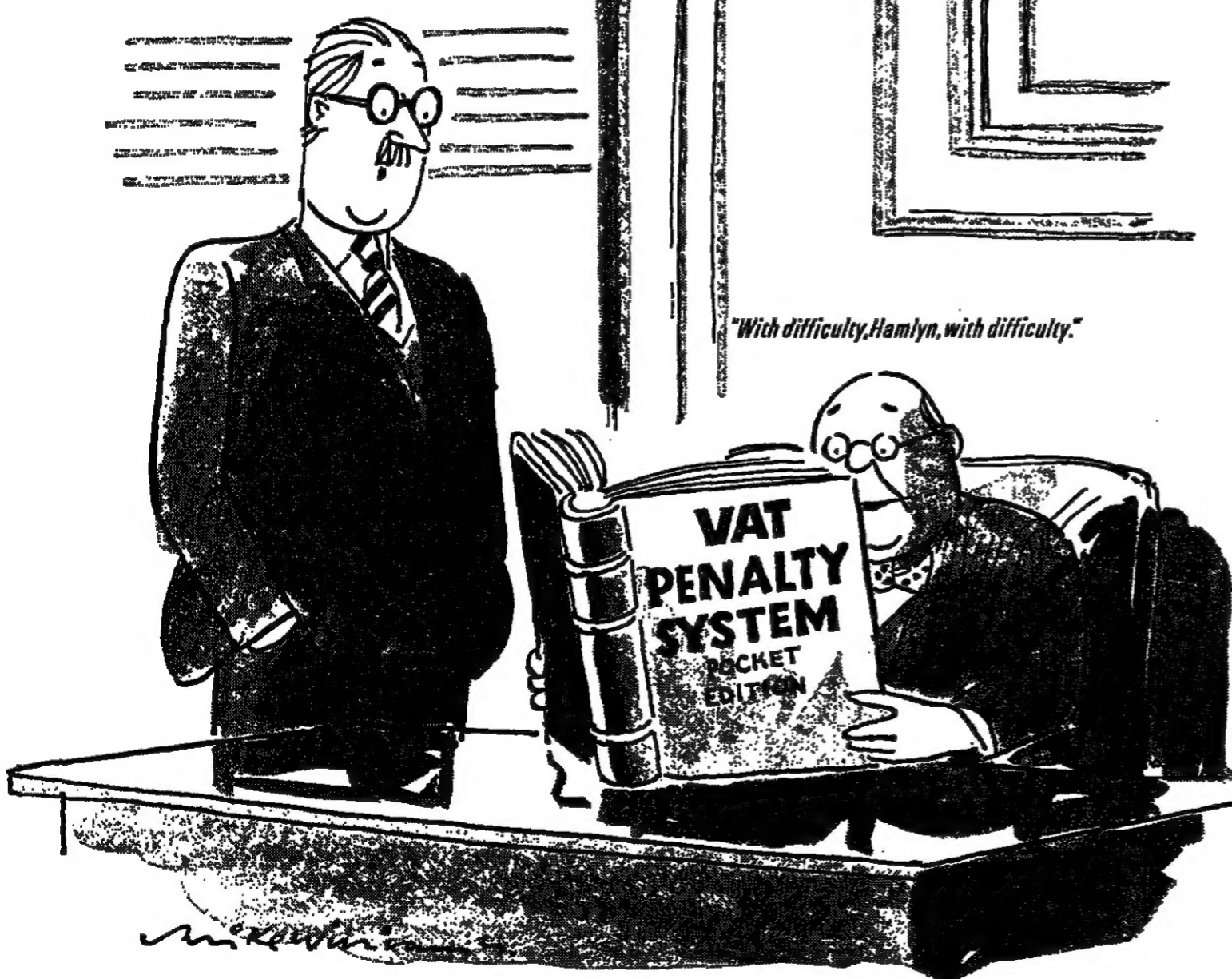
CALL TO END the monopoly enjoyed by Europe's airlines on prime inter-city routes was issued in Milan by Mr Michael Spicer, Britain's Minister for Aviation. Speaking at a ceremony to make the launch of a new British Caledonian service between London's Gatwick Airport and Milan, Mr Spicer said the new service carried with it a wider message: "The days are numbered when one carrier from each of two nations around Europe serves the major cities in each other country on an exclusive basis."

NINE freight forwarding companies at London's Heathrow Airport agreed to take joint action against the Travicom company after difficulties with the company's computerised cargo handling system.

INDUSTRIAL investment financed by leasing fell from £3.6m in 1985 to £5.2m last year as a result of tax changes introduced in the 1984 budget.

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Record tender offer for IC Gas stake

BY LUCY KELLAWAY

THE UK'S largest tender offer was launched yesterday by SHV, a privately owned Dutch company, which has offered £21m for a 23 per cent stake in Imperial Continental Gas, placing a value on the company of about £11m.

SHV, which like Calor is a large supplier of Liquefied Petroleum Gas, said yesterday that it had no present plans to make a full bid for the company, and looked on its stake as a long-term investment.

Over the last two months, SHV has built up a 4.9 per cent holding in IC Gas, and if the tender is successful, it will own 27.9 per cent of the company. Under the terms of the offer it is barred from making a bid until June 30, after which it will be free to do so if it chooses.

The package was put together swiftly over the weekend, and is believed to have been triggered by rumours that a rival bidder was ready to move. It comes just three days after IC Gas revealed details of a reconstruction that will break the group into two parts, the Calor

Group, and Contil Holdings, its Belgian investments.

SHV, which supports the break-up, intends to sell its Contil shares at an agreed price of 260p a share to a group of European companies.

The tender offer will now make it difficult for any other company to buy IC Gas, or any of its parts. The deal contains a "top up" provision, which will allow shareholders accepting the tender to be fully compensated for any successful bid for all or part of the company that occurs before January next.

The tender price of 700p compares to a market price of 650p on Friday and to 530p being offered last year by the Barclay brothers. The price yesterday leapt by 65p to 715p.

IC Gas, which until January was energetically fighting off a bid by the UK investing twins, Mr David and Mr Frederick Barclay, yesterday conceded that there was "some mutuality of interest" between SHV and Calor.



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UK NEWS

Sony to create 300 new jobs at Welsh plant

BY DAVID THOMAS

SONY, the Japanese electronics group, is to double output of its colour television plant at Bridgend, South Wales, creating 300 new jobs. Three other companies also unveiled decisions to expand their operations in Wales, bringing the total of new jobs there announced yesterday to 1,330.

Sony, one of the first Japanese electronics companies to set up in the UK, is to invest over £30m during the next three years in Bridgend, making Bridgend Sony's main television plant in Europe.

When the investment is complete in 1990, the plant will be producing colour televisions at the rate of more than 500,000 a year, compared with more than 250,000 last year.

The plant is also to become the first Sony factory in Europe to make small screen colour televisions, with an annual output of more than 100,000 a year.

Mr Sushiro Nakamura, head of the Bridgend plant, stressed the investment would lead to greater local content in the Bridgend television.

Sony is more than doubling its capacity to make television tubes and components there. It is enlarging the Bridgend plant because it predicts a big increase in European demand for colour televisions and believes Bridgend can also supply other overseas markets. Last year, almost three-quarters of the output from Bridgend was exported.

The investment will be financed by loans raised in the UK and a grant from the Welsh Office. Sony has an existing Bridgend workforce of 1,200.

Mr Nicholas Edwards, Welsh Secretary, said: "Sony has obviously been impressed by its Welsh experience and is showing it in the best possible way."

Avana, the Cardiff-based foods group which is fighting off a £260m takeover bid from Ranks Hovis McDougall, confirmed that it will create 800 jobs within three years at Merthyr Tydfil where it is expanding output of its cakes, savories and cereal foods business.

The £28m project will receive £2.95m in automatic grant and £4.75m in discretionary grant from the Welsh Office.

However, Mr Stanley Metcalfe, Ranks' chief executive, said yesterday that on the basis of the very limited information available Ranks saw the Merthyr project as worth pursuing. Ranks added that it did not foresee the closure of any of Avana's factories.

Bibby, the industrial and agricultural holding company, is to create 130 new jobs by September 1988 by expanding the Aberbargoed, Mid-Glamorgan plant of its Moti Plastics subsidiary to make tissue culture products for cell biology.

Fisons, the drug and horticulture group, is expanding the drugs plant of its CP Pharmaceuticals subsidiary in Wrexham to make tablets. The £4m investment, aided by the Welsh Development Agency, will create 100 new jobs.

Lift truck maker buys rival in Spain

By Nick Garnett

LANCER BOSS, the UK lift truck maker, has purchased for an undisclosed sum SAM Fenwick, Spain's largest manufacturer of lift trucks.

SAM Fenwick, which up to a few months ago was owned by Linde, the West German materials handling company, will be renamed Lancer Boss España.

Lancer Boss which, with sales of £100m last year, is Europe's fourth largest lift truck maker, said it would begin manufacturing some Lancer Boss equipment in Spain.

The company, based in Leighton Buzzard, Bedfordshire, would also continue making some of the equipment already manufactured by Fenwick in Spain, which includes small reach and pallet trucks and towing tractors.

SAM Fenwick has been making losses in recent years and its sales last year of £8m were about half those of five years ago.

Mr Trevor Bowman-Shaw, who with his brother Sir Neville owns Lancer Boss, said the Spanish business, which includes a distribution operation, would give Lancer Boss a substantial entry into the Spanish market. This market is heavily protected by tariffs.

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Stock markets 'obsessed with short-term performance'

BY CLIVE WOLMAN

AFTER decades in the doldrums, the followers of Keynes have finally struck back in support of beleaguered industrialists and their complaints against the stock market, the merchant banks, the takeover predators and the business school professors.

A new study, commissioned by Professor Richard Layard at his Centre for Labour Economics, has just been published which backs the claim that fund managers and analysts are obsessed with short-term company performance at the expense of longer-term investment.

Two decades of statistical analyses and several dozen lorry-loads of computer print-outs have entrenched the view in business schools on both sides of the Atlantic that stock markets are highly rational, far-sighted places.

John Maynard Keynes may have mocked the irrationality of his fellow investors while making money

for Kings College, Cambridge, by shuffling around its share portfolio from his bed each morning. But at least until recently, it was the efficient market theory that held sway in academia rather than Keynes's view on market imperfections.

However, in the last two years, as more and more companies have become vulnerable to hostile takeover bids, the industrialists have become vociferous in their condemnations of the City of London's "short-termism."

Professor Layard therefore commissioned a year-long study from two economists, Mr Stephen Nickell, the director of Oxford's Institute of Economics and Statistics, and Mr Sushil Wadhwani, a lecturer at the London School of Economics.

Their conclusion, in a study full of econometric formulae and quotations from Keynes about the hard instinct of fund managers, is that

the stock market generally attaches too high a weight to current dividends as compared with future dividends.

The weight given to current dividends is between five and 7.5 times higher than would be expected if the stock market were efficient, the two researchers say. Investors thus overreact to companies' announcements about their short-term earnings and pay insufficient attention to their longer-term prospects.

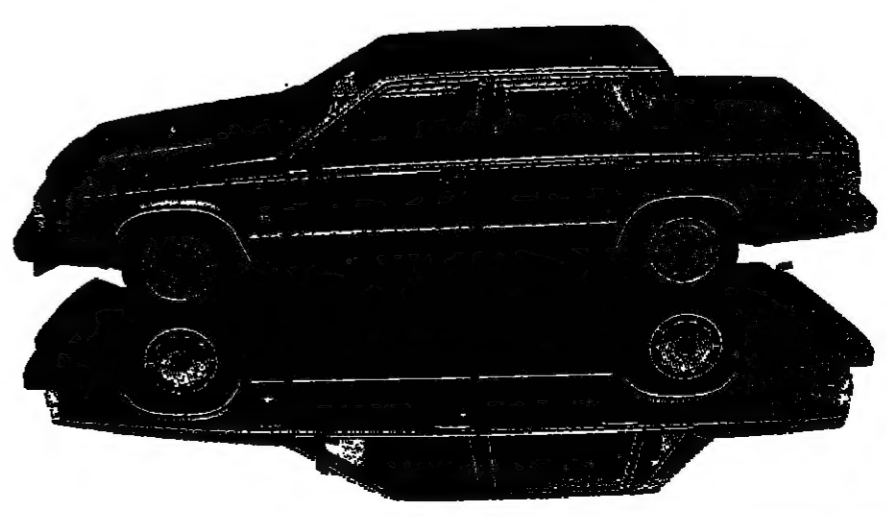
The researchers suggest: "If the government wishes to reduce the harmful effects of a myopic stock market, it must look at alternative policies; for example it could make takeovers more difficult." Another surprising implication of the study is that low-dividend paying growth stocks are generally undervalued.

Myopia, the Dividend puzzle and Share Prices: Discussion paper No. 272, London School of Economics, Houghton Street, London, WC2.

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The Economist
PUBLICATIONS

Victory for Australia's share-market watchdog

BY CHRIS SHERWELL IN MELBOURNE AND TERRY POVEY IN LONDON

STOCKBROKERS Alexander Leung & Cruickshank face a loss of up to \$2m following the settlement in Australia of a controversial share purchasing case. The settlement is seen as a major victory for Australia's share-market watchdog which has been keen to prove its regulatory muscle.

The case concerned the purchase of almost 14m shares in bid target Humes, a Melbourne building materials company, in December. At the time, Humes was at loggerheads with Unity-APA, the Sydney-based entrepreneurial group run by Mr Garry Carter, which had made a \$504m bid for the materials company.

In a move seen by Australian brokers as largely defensive, Humes announced on December 1 that it had agreed to buy a steel mill from the private Smorgans group and to pay for this with an issue of shares to the Smorgans family. This deal would have given Smorgans a commanding 46 per cent stake in the expanded Humes.

This news was followed by a flurry of buying of Humes shares - Mr Larry Adler of insurance company FAI (who announced his intention to vote against the Smorgans deal) acquired a 5 per cent stake, and in London ALC, which is owned by Mercantile House, acquired 13.9m

shares on behalf of Mr Yossie Goldberg, the well-known West Australian arbitrator.

The National Companies and Securities Commission (NCSC), supervisor of Australia's security industry almost immediately denounced the ALC's purchases as "unacceptable". ALC are Unity-APA's London brokers.

As many as 17 separate court cases followed, with just about every party to the Humes saga suing each other. ALC claimed that Mr Goldberg had not paid for the shares, which he disputed, while the NCSC went to the courts to win an order to obtain control of the 13.9m shares.

The out-of-court settlement, the full details of which were revealed yesterday in the Victoria Supreme Court, obliges ALC to sell the Humes shares by tender. The broker's average buying price for the share parcel is estimated at \$44.30. With Humes closing yesterday at \$51, the likely loss on selling the shares is estimated at \$18m, to which has to be added punitive payments to Victoria State and the court costs of the NCSC, altogether some \$52m.

Unity-APA, which is to sell its 36 per cent Humes holding to Smorgans for \$52.80 a share, has agreed to pay \$500,000 to the NCSC. In-

dependent estimates suggest that unwinding its Humes involvement might cost the group \$90m. Mr Dennis Vickery, one of its directors, claimed yesterday that the case was an example of a "young corporate raider being beaten by the establishment".

Both ALC and Unity-APA made it clear in court yesterday that they were accepting this settlement "out of commercial considerations and with no admission as to liability". Mr Vickery said that his company feared the impact that a protracted court case would have on its future. Over the last three months, the group shares have fallen heavily.

In London, ALC said yesterday that any loss arising from the settlement would be treated as an exceptional item in Mercantile House's year to April 1987 accounts. ALC is a major part of Mercantile's investment banking and securities trading division which made pre-tax profits of some £10m in 1986-87.

In Sydney last night, analysts and corporate lawyers were convinced that the settlement was an important victory for the NCSC. It had won a key battle to demonstrate its authority and its determination to investigate suspected breaches of securities and takeover laws.

Council backs Anglo-Dutch marina

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

BRITISH and Dutch developers have won the support of the Thanet District Council for plans which could lead to the creation of a £50m marina, leisure and shopping complex at Ramsgate, Kent.

Troy International of London and the British subsidiary of Vom International, the Dutch group, are pre-

paring a feasibility study of the scheme on the understanding that they have the support of the council and the opportunity to develop if the scheme looks as if it is economic.

Mr Michael Kingshott, the managing director of Troy, said yesterday that Thanet Council was ex-

pecting a design scheme within three months. After that, consideration would be given to tabling a planning application.

Troy is owned by Mr Kingshott, who is also the managing director of Sully UK, the cross-channel operator which runs ferry services between Ramsgate and Dunkirk.

Physics graduate who is paying a heavy price to teach

MR NICK LAW is 26 years old. He has a degree in physics from Aston University in Birmingham. His student friends have gone into well-paid jobs in industry.

But Mr Law is one of a rare breed of a young graduate prepared to teach. He works at Heston School, a state comprehensive with 975 pupils, in the London borough of Hillingdon.

After three years in the profession he now earns £10,200, including the outer London allowance. It is not even enough to get a mortgage on a studio flat in the area. Instead he lives at home with his parents.

Last week a bill to give Mr Kenneth Baker, Education Secretary, the right to force a settlement in the teachers' pay dispute completed its passage through Parliament. Yesterday Mr Baker told the House of Commons the terms he intends to impose.

Amid all the acrimony in the past two years, the chronic shortage of science and maths teachers who teach the scientists and engineers of the 1990s has tended to be forgotten.

In fact, Mr Law is lucky. He has a Scale Two post. Physics teachers are in such short supply that headteachers scrounge as many salary points as possible to give to physics teachers. If he was on Scale One, Mr Law might earn just £9,000.

In the past few years the problem of recruiting any teachers in England and Wales has become acute. Now the difficulty in hiring physics, maths and craft, design and technology (CDT) teachers has begun to worry industry.

"You are looking for people who are going to be working at the frontiers of new technology in the future you are going to find the numbers are inadequate," said Mr John Nisbet, director of the Confederation of British Industry's Information Technology Skill Agency.

In January 1986, there were ve-

cancies for 150 physics teachers, 390 maths teachers and 217 CDT teachers in England and Wales. But these figures do not give the complete picture.

Only 57 per cent of physics teachers have a degree in the subject and 18 per cent have no physics qualification at all, according to a consultative document on the problems of teacher supply published last July by the Government.

Less quantifiable are the restrictions on headteachers who wish to increase the amount of science teaching or to encourage children to learn about computers and technology.

Ralph Atkins reports on Britain's science shortage in schools

In Hillingdon it has become increasingly difficult to attract young graduate teachers in any subject - not least because of accelerating house prices in the area. The average age of physics teachers in the borough is about 45.

"Nowadays, if we interview one person for a Scale One physics post we are very happy," said Mr Roy Edwards, science adviser in the borough's education department.

Physics teaching has become more of a vocation than a career. It has also lost its status.

When Mr Law and some friends discussed going into teaching after graduating the response was cold. "One of my lecturers said it's a waste of a degree. Others on the course sneered at us," he said.

The National Union of Teachers calculates that each week, including holidays, the average secondary teacher works 43 hours. For Mr Law the work is almost non-stop. "School lasts" from 8.45am until 3.40pm and then there is always something to be done in the evening and at the weekend," he said.

He teaches pupils of all ages at

the school. For lower years he teaches general science. This means he has to spend his own time learning biology to teach the third year.

The fourth year is being taught the new General Certificate of Secondary Education (GCSE) physics course. For this he has not only to learn a new syllabus, but also to increase the amount of time spent assessing classwork - which will count for 30 per cent of the final exam mark.

Because of spending restrictions, the school's laboratories are poorly equipped. The science department requested £7,500 worth of equipment to teach the new GCSE exams. The whole school has been allocated only £4,000. Moreover the money is spread in dribs and drabs, making long-term organisation difficult.

The teachers' pay dispute has seriously damaged the image of teaching as a profession.

Last November, the Government announced a number of measures to encourage more applications for teacher training courses.

These include a unit, expected to begin work within a few weeks, to tour universities and polytechnics publicising teaching as a career. £1,200 bursaries for trainee teachers in maths, physics and CDT; and measures to find fresh sources of trainee teachers.

The Government also hopes new schemes run by local authorities will persuade some of the estimated 23,000 qualified maths and science teachers in England and Wales under the age of 60 who no longer teach, to re-enter the profession.

The Government says the initial response has been encouraging. In the period September 1986 to January 1987 there were 370 applications for physics teaching courses starting this autumn - a 61 per cent increase on the same period last year, although as big a rise as would be necessary to meet the Government's target.

London business confidence rising

BY PHILIP STEPHENS, ECONOMIC CORRESPONDENT

THE LONDON Chamber of Commerce yesterday reported growing business confidence among manufacturing and service companies in London and south-east England, with domestic and export orders both showing strong growth.

The results of the Chamber's latest Economic Trends survey echo the finding of recent national surveys from the Confederation of

British Industry and the Institute of Directors, which pointed to a marked revival in industrial prospects.

Members of the Chamber reported that both sales and orders in the home and overseas markets had risen over the past three months, with most growth coming from medium-sized and larger companies. The improvement has been reflected

in some stabilisation of manufacturing employment and continued job growth in service industries.

The increase in activity, however, has been accompanied by a rise in inflationary pressures, the Chamber said. Most companies suggest a rise in prices both for raw materials and for finished products over the past three months.

Choice of company cars is widening

BY JOHN GRIFFITHS

UK COMPANIES are continuing to increase freedom of choice to employees and directors over which cars they drive, according to an annual study of companies' business fleet policies.

Some 65 per cent of surveyed companies now give directors a free choice of model within a pre-set cash limit, a rise of 7 per cent on last year, according to Monks Guide to Company Car Policy.

Thirty-nine per cent of the companies provide a similar free choice at a lower price level to area sales representatives, up 3 per cent, says the guide.

Its findings this year are based on information provided by 210 companies and organisations running a combined fleet of nearly 90,000 cars.

The move to a free choice has been at the expense of both "no choice" and "defined model" policies. Under the latter, the "user-chooser" can pick from a small list of, usually British-made, models.

At chief executive and director level, Jaguar followed by Rover remain the most popular choice, although both have lost ground to Ford and Mercedes. At area manager level, Ford dominates with 49 per cent (plus 3 per cent), followed by

Vauxhall, 32 per cent (minus 4) and Austin Rover 15 (minus 1).

Ford has also increased its hold in the sales rep sector with 47 per cent (44), followed by Vauxhall at 30 per cent - although its share fell sharply from 39 per cent as the Cavalier has receded in popularity.

Austin Rover again brings up the rear, with 17 per cent (plus 3).

Only 10 per cent of companies now offer directors no choice (down 3 per cent) and 12 per cent area sales managers no choice. There has been a 1 percentage point increase, however, in companies offering no choice to sales reps (22 per cent).

Despite increases from April of up to 21.7 per cent in the assessed benefit of the car to users for income tax purposes, the company car will remain tax efficient. For example, to substitute additional salary for the company car of a typical executive earning £18,000 a year could increase company costs by 30 per cent, the guide says.

In the case of a luxury car supplied to a 60 per cent taxpayer, the substitution could increase company costs by 80 per cent.

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Marks and Spencer 'still leads retail clothing'

BY LINA WOOD

MARKS and Spencer continues to be Britain's largest clothing retailer, despite growing competition, according to a new report by Verdict, the market research organisation.

However, Verdict says the recent rash of takeovers and mergers in the UK has seen the gap close between the country's premier chain and its rivals. It estimates M & S to have some 12.2 per cent of the clothing and footwear market. H&M Group, with the Debenhams acquisition follows with an estimated 9 per cent. Sainsbury, with its Miss Selfridge and British Shoe Corporation ranks third, according to Verdict.

Verdict said it did not believe that Marks and Spencer was under serious threat from more aggressive retailers. The signs were that Marks was re-asserting its leadership and had significantly boosted its market share.

The 300-page report estimates that the total clothing and footwear market was worth over £18bn in

1986. "The value of the market," it said "increased by over 9 per cent, while if inflation is taken into account, sales have grown by nearly six per cent."

Womenwear is by far the most important component of the market, accounting for almost 40 per cent of all spending on clothes and shoes, according to the report. "Marks and Spencer," said the report "retains a tight grip on 18 per cent of this sector."

Star's ranking in the league of major clothing and footwear retailers is boosted by its shoe interests which include Dolis, Manfield and Freeman Hardy and Willis. They give the British Shoe Corporation some 23.7 per cent of the UK shoe market according to Verdict compared with Clarks' 8.7 per cent and M & S's 5.5 per cent.

Verdict on Clothing and Footwear Retailers. Price £450 from Verdict Research, 54 Britton Street, London EC1M 6NA

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Financial Times Tuesday March 3 1987

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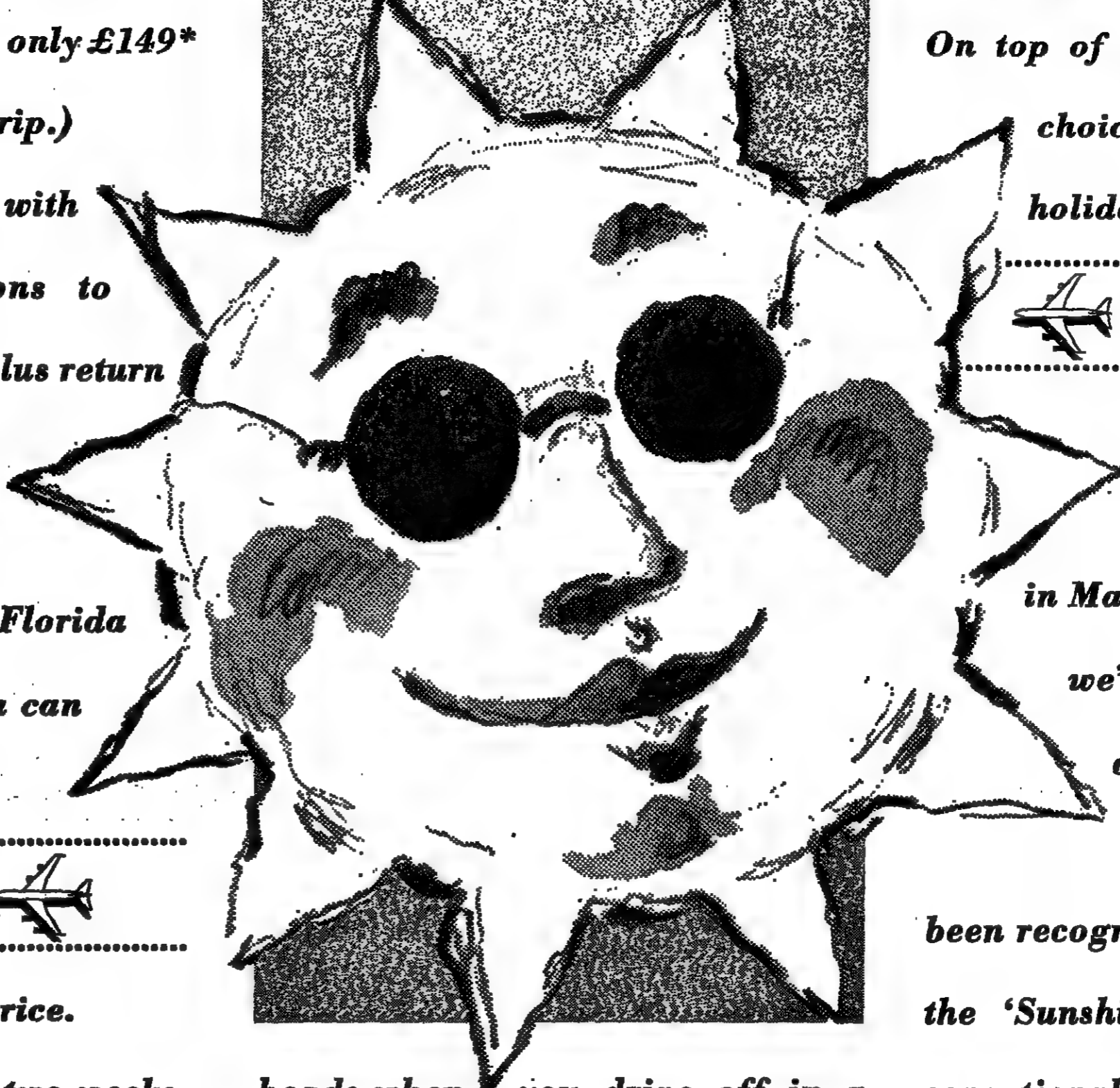
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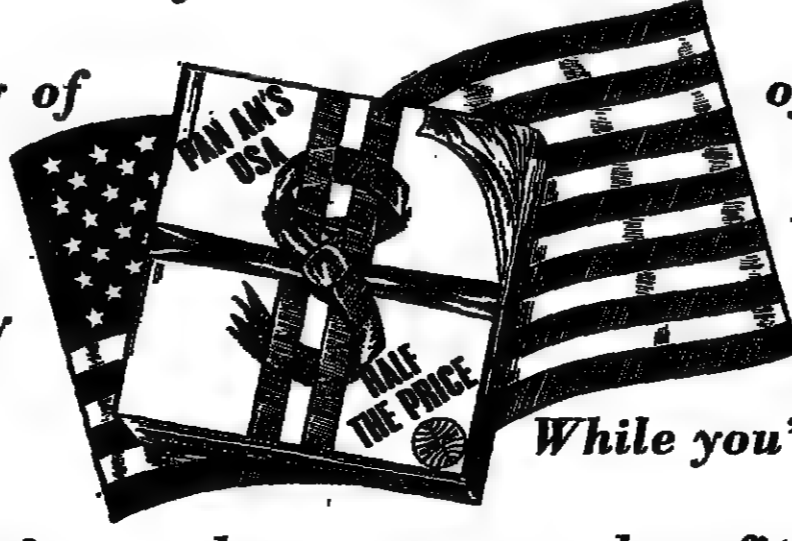
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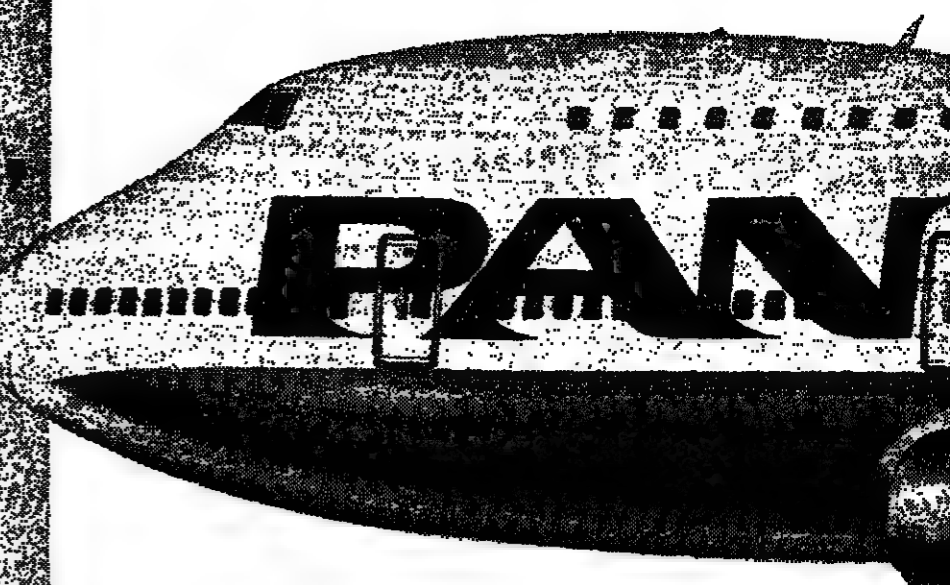
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UK NEWS

ICI invests in ultra-pure crystal chips

IMPERIAL Chemical Industries is investing upwards of £10m in making ultra-pure crystals, to exploit a technology pioneered by British defence scientists in the late 1950s.

The company's aim is to give Britain one of the world's first large-scale manufacturing units for gallium arsenide, a semiconducting crystal with properties that go beyond the reach of silicon in speed and radiation resistance.

By the end of the year, it plans to be supplying the semiconductor industry with 3-in diameter wafers of polished crystal, free from the faults which have been hampering use of this material in integrated circuits (chips).

By 1988, it plans to be supplying wafers of a second semiconducting crystal, indium phosphide, also with valuable electronic properties.

ICI was persuaded to enter the market for ultra-pure crystals by the Royal Signals and Radar Establishment, Malvern, a Ministry of Defence laboratory specialising in electronics, with the backing of government technical advisers.

In 1983, ICI disclosed plans to enter the market for electronic materials. It saw them as highly-priced materials of great purity requiring a scientific base akin to its pharmaceutical products. It set up E-group, reporting to Dr Charles Reese, research director, based at the company's research centre at Runcorn, north-west England.

The Malvern scientists persuaded E-group that ICI's technical and financial muscle was urgently needed to give Britain the chance of becoming a major world supplier of the new semiconducting crystals.

Britain has found no significant role as a supplier of silicon, and silicon is said to be an easy material to work compared with the compound semiconductors.

The scientists persuaded ICI to acquire from Cambridge Instruments a technology they had originally developed at Malvern for growing perfect crystals of compound semiconductors such as gallium arsenide. Cambridge wanted to abandon its small-scale supply of the crystals and concentrate on selling the sophisticated manufacturing equipment.

Dr Bill Barlow, E-group's research and technology manager, negotiated technology transfer to the new ICI facility at Milton Keynes, including eight Cambridge crystal-pullers, one dating back to 1960, and key staff skilled in growing the fragile crystals.

**David Fishlock looks
at a pioneering
technology in which
Britain may become a
major world supplier**

The latest and largest crystal-puller, a £400,000 investment, can produce a darkly lustrous 3-in diameter crystal of gallium arsenide weighing 3.7 kilograms in 36 hours.

Mr Gary Wafer Technology, says this crystal puller is capable of generating revenues of \$1m-\$2m a year, in the form of thin, highly polished wafers of semiconductor for gallium arsenide chips.

ICI has also made a substantial investment downstream of crystal-growing, in slicing crystals, highly polishing the wafers, then meticulously cleansing the surfaces.

Its overriding objective has been to raise the quality of these complex materials, it says. It has done this by harnessing in-house skills and investment it claims could double the launch costs for less well endowed companies.

For example, ICI has a £7m investment in advanced analytical techniques at its Runcorn laboratories, which is being used to help perfect the crystals. It has also begun with about 50 man-years of experience of crystal-growing, of which half is allocated to its research and development effort, Mr Needham says.

To win support from scientists and engineers elsewhere in ICI requires a special brand of industrial diplomacy. E-group seconded Mr Andrew Ruddick, one of its young scientists, to ICI Wafer Technology.

Mr Ruddick's job is to win co-operation in tackling such problems as the identification of impurities present in concentrations lower than one part in 10m. He has mathematicians at Runcorn trying to model the crystal-growing process, and colloid chemists discovering new ways of polishing and cleaning the wafers.

At the same time, he keeps close to potentially big UK customers such as the Ministry of Defence and its suppliers, including GEC and Plessey. "I really don't believe it would have worked without Andrew Ruddick," says Dr Barlow. "Nobody at Milton Keynes would have known who to talk to."

North seeks bulk of cash for promotion

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE emergent Northern Development Company (NDC) has asked the Government for the lion's share - £1.5m - of the £2.7m available for inward investment promotion and related industrial development in the English regions.

The NDC - a joint development body supported by 160 private sector companies, the trades unions and the local authorities in the north-east of England and Cumbria - unveiled its corporate plan yesterday.

It has pitched for the £1.5m in the light of talks last month with three Cabinet ministers. Mr Paul Channon, Trade and Industry Secretary, will announce allocations on Thursday.

The NDC's approach to regional regeneration, which involves all interested parties sitting their differences and pulling together, has been welcomed by the Government as a model others should follow, especially because of the active and financial support of the private sector.

Indications are that the money, which is part of Government funding for the Invest in Britain Bureau, will be given. The four other bidders for funds are the north-west's promotional body Inward, the Yorkshire and Humberside Development Association and similar bodies for the East Midlands and south-west.

The NDC's corporate plan, which has been drawn up in close consultation with government officials in the north, makes it clear that the body will eventually grow into something very similar in function to the Scottish and Welsh development agencies, but without being quasi-Governmental in nature and supported by tens of millions of pounds of public money.

Mr Ray Atkinson, the chairman, said yesterday that the NDC aimed to be as fully operational as possible before the general election. Whichever party won would be likely to place much greater emphasis on regional development, and the NDC intended to be ready to benefit.

Last month the NDC absorbed the North of England Development Council (NEDC), which will be its overseas inward investment arm. It will add about nine staff of its own to the NDC's existing complement of 35.

Temporary headquarters will be in the same building as the NEDC

in Newcastle upon Tyne, which is also shared by the northern office of English Estates.

Longer term plans are for the three bodies to relocate together, probably joining forces with the regional offices of the Department of Trade and Industry, the Department of the Environment, and the Manpower Services Commission.

A regional co-ordination panel of chief executives and regional directors of government departments would ensure coherence on major policy.

Apart from promotional activities in the UK and abroad, the NDC will also try to improve regional standards of economic intelligence and marketing.

It will be pushing for widespread "buy local" policies by bigger companies to encourage an infrastructure of local suppliers, as well as ensuring better co-ordination of resources for finance, technology, business advice and training.

A "project team" approach will also be adopted, with specialists appointed to lead investigations in fields such as property, finance and technology. English Estates has already agreed to fund the property team.

Overseas promotion - where the north-east has been very successful in attracting Japanese and other Far East companies - will be developed so as to encourage joint programmes with other English regional development organisations, giving better value for money.

There will also be close collaboration with the new urban development corporations proposed for Tyne and Wear and Teesside. Mr Paul Nicholson, the newly appointed chairman of the Tyne and Wear Urban District Council, is on the NDC board.

The City of London will also be approached to help and Mr Atkinson said he hoped that a north-east investment bank might be set up.

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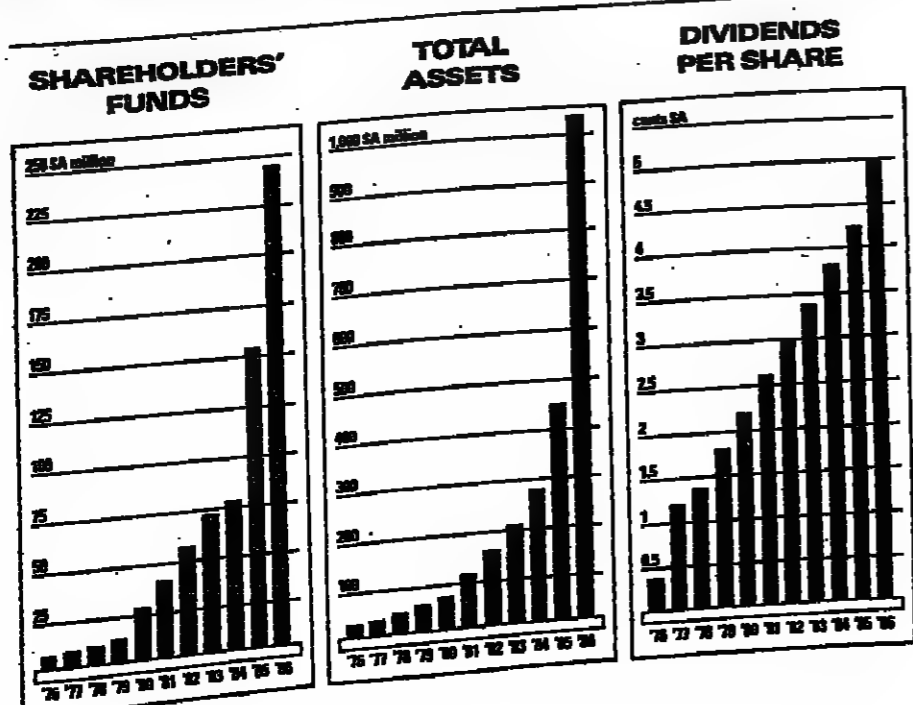
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AUSTRALIAN INDUSTRY

Chris Sherwell on the ambitions of one of Australia's largest manufacturing groups

Pacific Dunlop treads an expansion course

WALKING INTO Mr John Gough's Melbourne office is like stepping into a homely lounge rather than a managing director's corporate lair.

Not for him the conventional big desk in the middle, with standard chairs and coffee table at the side. Instead, large settees surround a low square table, and Mr Gough has an unobtrusive work surface at one end, along with some exotic artefacts from business abroad.

It's a reflection of the way things are done at Pacific Dunlop. Though one of Australia's largest industrial companies, it does not have its own office building, and it keeps its corporate headquarters small. Mr Gough's office is a place for talk and for decisions.

In terms of performance, few manufacturing companies match its recent achievements. During the past seven years, Pacific Dunlop has shown a compound annual growth rate of 20.9 per cent in sales and 25.8 per cent in profits.

This year it is headed in the same direction. Figures for the six months to December showed a 25.8 per cent increase in trading profits to A\$68.2m (US\$45.9m)—more than three times the 1980 profit.

Pacific Dunlop is now one of the two top tyre manufacturers and retailers in Australia, having just merged its operations with Goodyear. It is also a successful producer of sports goods, footwear, underwear and socks, and one of the country's two largest manufacturers of power and telecommunications cable.

Abroad, the group is also making an indelible mark. Pacific Dunlop is the world's biggest producer of latex products such as surgical gloves and condoms, and an important battery manufacturer with major interest in the US and a revolutionary designed long-life battery shortly to be marketed.

The interim figures underscored the success of this deliberate shift outside Australia: overseas sales contributed a quarter of total revenues, against one fifth in the same six months of the 1985-86 financial year, while overseas profits shot up, to contribute more than 35 per cent of the total, against 24 per cent previously.

Reflecting recent growth in international investor interest and its increasing use of over-

seas financial markets, Pacific Dunlop's shares were listed in London at the end of last year and from late last month on the Tokyo Stock Exchange.

Yet despite the company's international name, these remarkable achievements are more the product of Australian effort and entrepreneurship than the result of a foreign multinational's muscular expansion.

Indeed, although the company originally started in 1899 as a branch of Dunlop UK, introducing pneumatic bicycle tyres to Australia, Dunlop reduced its stake to 21 per cent shortly thereafter, and the company has been going its own way ever since.

As the Dunlop Rubber Company, it continued as a tyre manufacturer for decades before diversifying in the 1960s into clothing and footwear and then expanding into South-East Asia.

Trading record

The decisive move came in 1980, when it merged with Olympic Consolidated Industries to form Dunlop Olympic. The merger meant the two groups' tyre manufacturing operations had to be rationalised, but it squeezed competitors and it took Dunlop into polyurethane and polystyrene operations and into electrical and telecommunications cable manufacture.

John Gough, who became managing director the same year, was on his way. Through external growth, offshore expansion and acquisitions, the group has since built up an extraordinary trading record and become one of the country's largest industrial companies. It changed its name to Pacific Dunlop in 1985.

Among the best-known of its current activities is its manufacture of latex and medical products. Through Ansell International, the company produces surgeons' gloves, condoms and balloons at plants in the US, Europe, Malaysia, Thailand and Australia.

Inevitably, but in a manner impossible to imagine a few years ago, the worldwide fears about the spread of AIDS have boosted sales substantially. Last year Ansell contributed 9 per cent of total sales and 14 per cent of operating profit. In the past 10 years, its sales have grown tenfold.

The group is now spending a further A\$35m on additional facilities, including new equipment for the Malaysian and Thai manufacturing operations.

Among other things, it wants to be the world's biggest balloon manufacturer. The group also plans to treble production capacity at its Apsar industrial glove business in the UK.

France has meanwhile given approval for the expansion of European operations through the acquisition of Boser Medical, a French medical and industrial latex glove distribution company.

Pacific Dunlop's battery operation has also attracted attention. In its biggest acquisition of the past two years,

constructed with a 500,000-unit annual capacity.

For all this, neither Pacific Dunlop's latex products nor its battery division are major generators of cash flow—indeed, the ever-improving latex products division is still likely to lag behind sales from the group's more traditional tyre and consumer products businesses.

Here, as Mr Gough himself emphasises, the group depends heavily on the dominance and the selling power of known brand names. Consumer products, for example, accounted for 27 per cent of total sales last year, and 21 per cent of operating profit.

In the case of footwear, Aus-

tralia is one of the world's top 10 countries for sales of Adidas products. The group also sells well-known "holeproof" brands of underwear and socks, and tennis, squash and golf balls.

Perhaps the most intriguing advance in this field in the past year has been in China. Last May, Pacific Dunlop signed three joint venture agreements to produce footwear, socks and underwear from plants in Foshan and Shanghai. The company was already importing shoes from China to the US, competing there against Taiwan, South Korea, Italy and Brazil.

In tyre manufacturing and retailing, Pacific Dunlop has this year gone into business with US-controlled Goodyear Tyre and Rubber in a joint venture which will increase sales and boost profits. Among other things, a A\$200m steel radial truck tyre plant is planned.

Behind the move lay British Dunlop's judgement that it had little alternative if it was to stay abreast of technological developments.

This was played down at the time because the other main Australian competitor, Bridgestone, is Japanese-owned. Pacific Dunlop has a close relationship with the Japanese Sumitomo group, with which it has a shared interest in an optical fibres joint venture called Olex, and did not wish to suggest that Japanese technology was less attractive.

Bridgestone lobbied against the A\$400m merger of Pacific Dunlop and Goodyear, and the Trade Practices Commission, the government's anti-trust agency, duly curtailed the merged group's retail activity by limiting the number of outlets under its control.

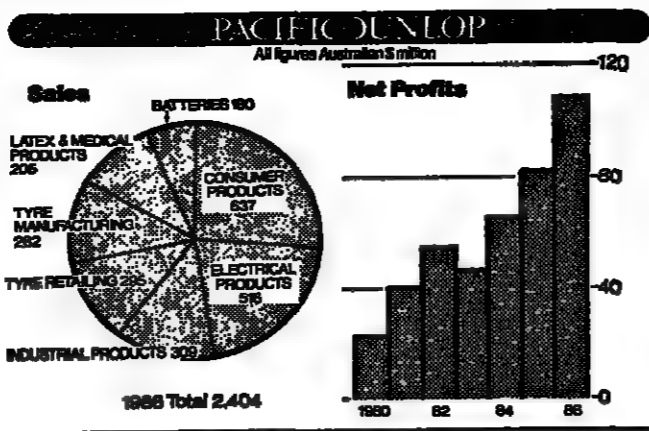
The merged group is expected to command more than 40 per cent of the market, and this means that Pacific Dunlop's tyre manufacturing and retail operations are likely to keep their leading position as contributors to group sales and profits.

According to Mr Gough and independent brokers analysts, there is little reason to suppose the group's overall rates of growth in sales and profits will slow down in the coming years, because opportunities will continue to present themselves.

Pacific Dunlop's objective remains to broaden its product base and to increase overseas earnings through acquisitions or joint ventures which offer dominant market share, high returns on capital and strong cash generation.

Despite the growth, the group has just 26,000 employees compared with 22,000 five years ago, and 140 plants. The management sets clear goals for sales and profits, keeps a tight rein on working capital and insists that targets be met for return on capital and payback on new investments.

This, says Mr Gough, is the secret of success. "We have a very small head office, a decentralised management structure allowing great autonomy, a simple, uniform system of reporting back, a clear set of goals to be achieved, and an ability to market good, branded products." It seems to be a formula which works.



APPOINTMENTS

Managing director of Express Dairy

Mr Michael E. Smith has been appointed managing director, EXPRESS DAIRY CO., a subsidiary of Grand Metropolitan. Mr Smith, who was previously sales and marketing director, consumer products, Express Foods, replaces Mr Howard Stanworth, who has been appointed president and chief executive officer, Pearle Health Services Inc. Mr Colin J. Daniel has been appointed finance and planning director, Express Foods Group. Mr Daniel, who was previously finance director, Eden Vale, replaces Lisa Gullen, who has been appointed director of financial planning and control, Grand Metropolitan group finance.

The NORTHERN RUBBER COMPANY has appointed Mr Michael J. Thompson as sales and marketing director. He is with BTR Silvertown responsible for the precision mouldings business. Northern Rubber is a member of the F. H. Tomkins Group.

ROBSON RHODES has appointed Mr George Eilers as a general partner in its national insolvency office.

Following the appointment of Mr Roy Booth as chief executive of HARVEY NICKOLS, the Burton Group has appointed Mr Lindy Woodhead to the board of the Knightsbridge store. She has been associated with the group for over 21 years. Her specialist fashion consultancy was responsible for the launch of the Principles shops. She remains in her role of Woodhead & Public Relations, which also continues its work for Debenhams and Principles.

Ms Amanda Nicholls has been appointed financial controller of the classical music division of POLYGRAM UK.

BALZERS HIGH VACUUM, Berkhamsted, has appointed Mr John W. Roberts as financial controller. He was an adult manager with Arthur Young.

The following have been elected to the board of MACFARLANE GROUP (GLANS-MAN): Mr Robert Dickson who joined the group 30 years ago and is managing director of its marketing products organisation, MSF (Glansman); Mr Gordon Lane, currently managing director of Abbot's Packaging; Mr William Macnamara, managing director of its label printing operation, M. S. Macfarlane and Co. Retiring from the group board is Mr James Taylor. He remains a director of Daniel Montgomery and Son and ACW, the group's plastics moulding division.

C H PEARCE AND SONS has appointed three senior executives—Mr Peter Clark, Mr

Roger Curtis and Mr Roger Hughes to the board. Mr Clark continues as managing director of C H Pearce and Sons (Contractors). Mr Curtis joined C H Pearce earlier this year from Lovell Construction. Mr Hughes will be responsible for Imperial Building Group. He was chief executive of Crest Nicholson company, Calorex Heat Pumps.

Mr Andrew Shepherd, founder and managing director of CAMBRIDGE BIOMEDICAL, has resigned his position and interest in the company and has joined the Scottish biotechnology company, BIOSCOT, as commercial director. Bioscot was acquired by Cogen (Holdings), itself a wholly-owned subsidiary of the Legal and General Assurance Society, last October.

Price's Candles board posts

PRICE'S CANDLES has appointed Mr Ed Holloway as managing director. He has recently helped set up two new Shell "step out" businesses—Shell Lubricants UK and Shell Bitumen UK, and was previously commercial manager for the company's North Sea development activities. Mr Tony Hayward joins the board as finance director following a four-year association with Price's as an independent management consultant with Matthews Associates.

Mr Peter Watson has been appointed to the new post of business development manager having previously been head of management information for Shell UK Expro.

Mr Alan and Harvey Pink, general manager planning of Imperial Chemical Industries has joined the board of WOLKID GROUP. Mr D. F. Nash has resigned his directorship of Florida.

AUTOMATIC SWITCHING has appointed Mr Stuart Cate as managing director.

Following his purchase of 378,000 ordinary (18.9 per cent) of the equity of PHOTAX (LONDON) 79p from Sangers Photographics, Mr John Ferguson, formerly chief executive of ASH and deputy chairman of A.E.S., becomes executive chairman of Photax. Mr John Heywood, who has been chairman since May 1986, will remain as a non-executive director. Mr Heywood is a director of Calymite which holds 29.9 per cent of the equity of Photax. In addition to assisting Mr Leslie Dunn, deputy chairman and managing director, to improve the performance of the company's traditional photographic activities, Mr Ferguson's primary objective will be to expand and diversify the

company by the acquisition of new businesses in areas related to his previous experience.

Mr Graham Farrell has been appointed marketing director of THORN EMI BUSINESS COMMUNICATIONS. He joins from Deloitte, Haskins and Sells management consultancy division. Ms Judy Hitchens becomes a commercial director. She joins from Trend Control Systems where she was head of finance.

TEACHERS ASSURANCE, Bournemouth, has appointed Mr Chris Gent as deputy chief executive in 1988 with the retirement of Mr Frank Darlington who has headed the organisation for 16 years. Mr Gent was operations manager.

Mr Giovanni Orlando has been appointed an executive director and joins the board of SWISS BANK CORPORATION INTERNATIONAL, London. He was formerly an executive director of GIB.

MOTHERWELL CONTROL SYSTEMS has appointed as directors Mr Bill Johnson and Mr Trevor Taylor. Mr Johnson is general manager of Mother's PAC and Mr Taylor general manager of Motherwell CNC. Both companies are based in St Helens and are divisions of Motherwell Control Systems.

MONDIAL ASSISTANCE, Croydon-based breakdown and assistance company, has appointed Mr Peter Watson as managing director. Mondial Assistance opened in Britain in 1980 and is a subsidiary of the Mondial Assistance Group of France with 11m policy holders making it the largest assistance company in the world. The group is owned by the Automobile Club de France. Group des Assurances Nationales (GAN) and Assurances Generales de France (AGF).

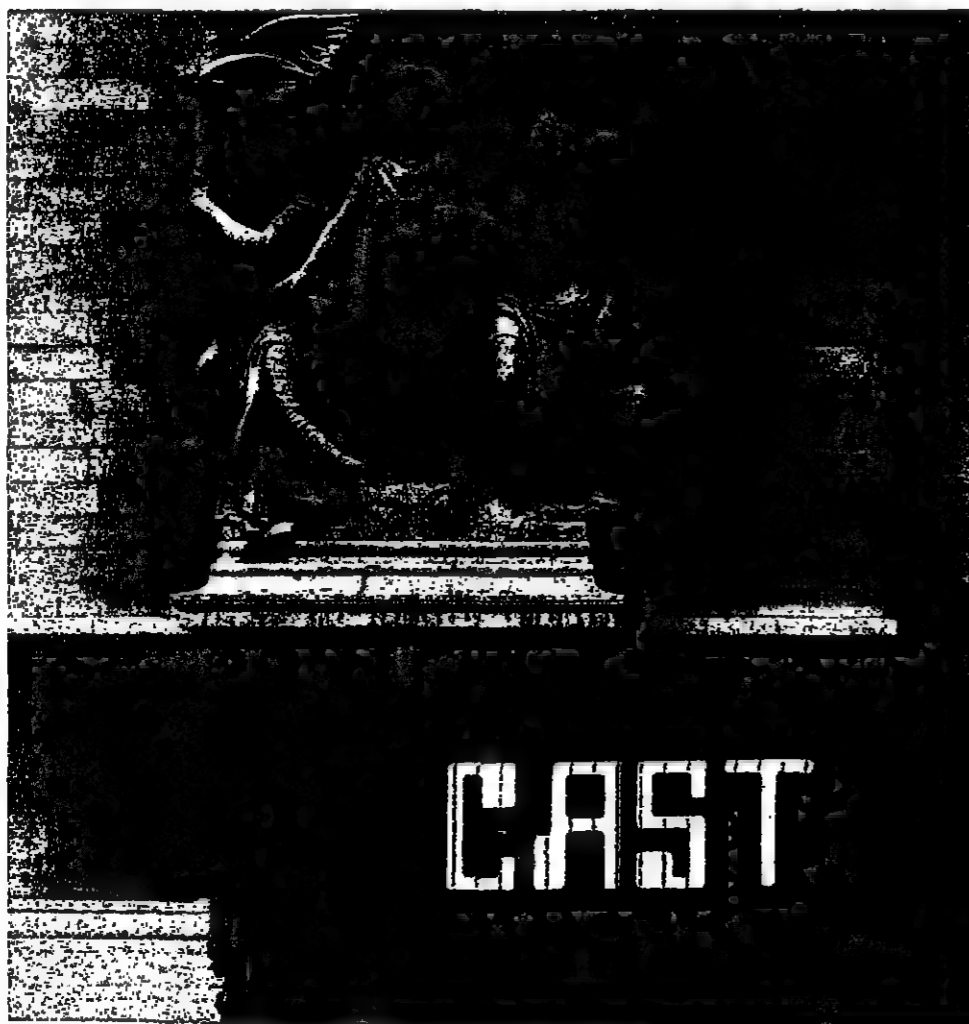
Mr Dennis McCarthy has been appointed building director of CREST HOMES, a subsidiary of Crest Nicholson.

Mr G. Warren and Mr G. Gilbert have been appointed directors of R. P. MARTIN DEPOSITS.

THE SOUTHERN COUNTIES AGRICULTURAL TRADING SOCIETY has appointed Mr J. F. Griffith as managing director (designate). He takes up this post on September 1 and will succeed the present managing director, Mr John Ward—on his retirement early in 1988. Mr Griffith was business ventures manager in the chemical and polymers group of ICI.

STRINGS TEXTILES, chairman, Mr J. S. Schofield has resigned but remains an executive director. Mr D. R. Gardner succeeds him as chairman.

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PACIFIC DUNLOP

"All product groups made good gains... emphasis on growth businesses in volume markets leaves the company well placed to continue its trading momentum in the second half."

SIR LESLIE FROGGATT, CHAIRMAN

Based in Melbourne, Australia, Pacific Dunlop is a major Australian international manufacturing and marketing group, listed on the London Stock Exchange and — since February 25 — on the Tokyo Stock Exchange.

OPERATING RESULTS FOR THE SIX MONTHS TO DECEMBER 31, 1986 (UNAUDITED)

	Half Year to December 31, 1986	Half year to December 31, 1985	Percentage Increase
	\$ Australian (Thousands)	\$ Australian (Thousands)	
OPERATING REVENUE	1,338,862	1,191,053	+12.4%
Sales	1,338,862	1,191,053	+12.4%
Other revenue	16,463	6,579	+150.2%
CONSOLIDATED OPERATING PROFIT (after tax)	68,220	54,323	+25.6%
CONSOLIDATED OPERATING PROFIT ATTRIBUTABLE TO SHAREHOLDERS	65,417	52,010	+25.8%
Earnings per share	15.3 cents	13.5* cents	+24.4%**

* 12.3 cents, when adjusted for bonus issues. ** Calculated on 1985 adjusted figure.

The full text of the interim statement will be sent to all shareholders during the month of March.

Pacific Dunlop Limited

(Incorporated with limited liability in the State of Victoria, Australia)
500 Bourke Street, Melbourne 3000
Australia.

People, ideas, technology.

DIVIDEND

Directors have decided that for this year only they will declare one dividend payment. This is to allow a full and proper assessment of the implications of the forthcoming Australian dividend imputation legislation.

In 1987 the Company will pay one dividend in August, being the mid-point between the usual dividend payment dates of April and November. The dividend paid in August will be more than the 12.5 cents paid last year. The exact amount will be determined by the Board after June 30th in the light of trading results. The Company will then resume its normal pattern of paying dividends in April and November in 1988.

HIGHLIGHTS

- Overseas operations continue to expand and now contribute A\$339.1 million, or 25.3% of sales.
- Overseas operations contributed A\$24.2 million of operating profit (an increase of 86% over the previous corresponding period) and now represent 35.4% of total profit.
- Latex products made a major contribution; subsidiary company Ansell International maintained world leadership in the household glove, medical examination glove and condom markets.
- Foam business continues to grow, with new joint ventures in New Zealand and the USA.
- Recently-formed Industrial Distribution Group and enlarged polyurethane foam manufacturing operations are both achieving annual sales of more than A\$100 million.
- Increased manufacturing and marketing of footwear, particularly in the USA.

TECHNOLOGY

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THE FIELD
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THEY'RE OFF—Four new telecommunications carriers have begun operations in Japan in the past few months, introducing competition to this huge and fast growing industry for the first time in its history.

So far, the competitive battle has been subdued, being restricted to only a small part of the total market—that is, the private line service between Tokyo and Osaka. But new competitors, many of them with very strong financial backing, are queuing up for roles in other sectors as well, so before things settle down there could be an extended period of the kind of bruising market-share battle for which the Japanese have become famous.

Also, many of the newcomers have foreign participation, which is causing political strains in a sector that has long been insulated from any foreign involvement.

All these changes are underway as a result of legislation passed in early 1985, enabling the creation of new business carriers to compete with the monopoly suppliers, Nippon Telegraph and Telephone (NTT) in the domestic market and Kokusai Denhin Denwa (KDD) in international telecommunications.

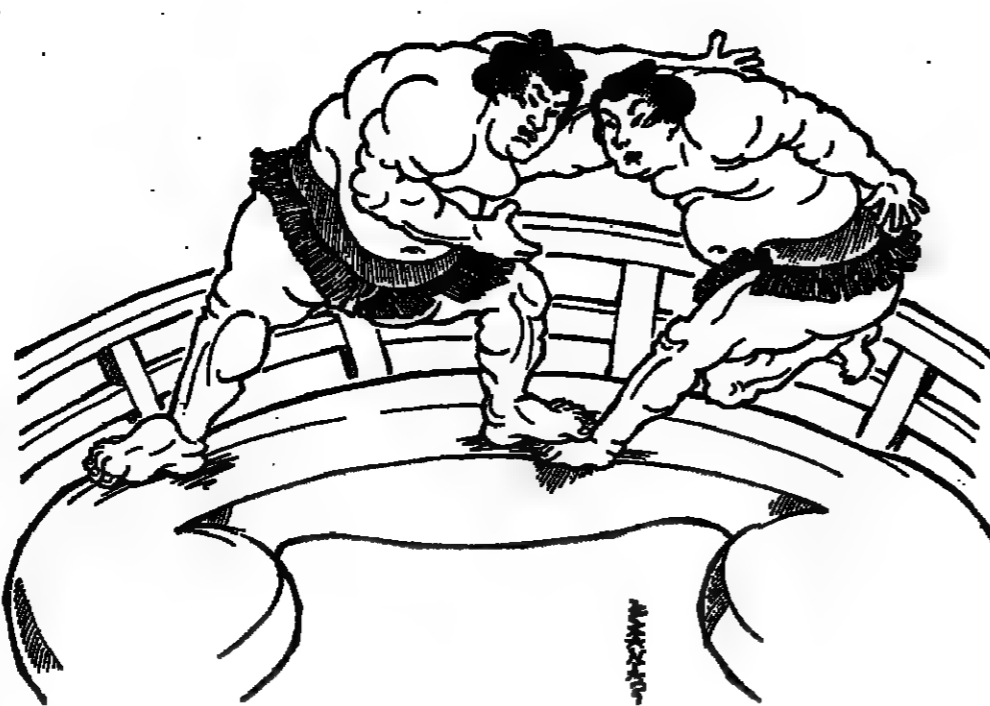
NTT and KDD had combined revenues of ¥5,307bn (¥22.8bn) for the year to March 31 1986.

At the same time as deregulation of the market, NTT was transformed from a government agency to a joint stock company, and its shares are gradually being sold to the public. By early last year, dozens of consortiums had been set up to compete with NTT or KDD in various parts of their businesses. The first to get their licenses and get into business have been four specialised common carriers, companies providing limited telecommunications transmission services within Japan.

In fact, six common carrier licences have been issued, but two were to companies, Japan Communications Satellite and Space Communications, that will base their systems on satellites. They are not expected to be up and running until 1988 or later, depending on availability of satellite launches.

The other four, which all began operations in the second half of last year, use optical fibre or microwave systems and have started by offering leased line services only on the high volume routes in the Tokyo-Osaka corridor.

Although there is now competition in this sector, the Ministry of Posts and Telecommunications (MPT) still has to approve service charges. All four carriers have been allowed to charge from 20 to 30 per cent less than NTT, but customers must add to their tariff the cost of leasing the



How Japan has opened its lines of communication

By Ian Rodger in Tokyo

lines from NTT which connect their premises to the new carrier's terminals (NTT retains the monopoly on local calls.)

The carriers admit they have not had much of an impact on the market so far. Japan Telecom, which was the first to begin operations last August, says only

Before things settle down there could be a bruising battle for market share

that its business is proceeding "according to initial plans." The company is 30 per cent owned by Japanese National Railways and it uses JNR's bullet train roadbed for its optical fibre transmission line.

Daini Denden, in which the ceramics group, Kyocera, has a 20 per cent stake, says it has 220 clients already, "a bit better than the initial plan," since beginning operations in October. The group, which uses a micro-

wave network, is aiming for a 6 per cent share of the Osaka-Tokyo long distance market.

Teley Japan, which started in November, says it already has 200 clients, including Toyota Motors, one of its leading shareholders. It is aiming at a 7.5 per cent share of the Tokyo-Osaka market within five years. Its system is based on optical fibre run along the Japan Highway

Authority's 6 per cent shareholder. Teley Japan plans to offer long distance services to the public from this autumn.

Tokyo Telecommunications Network (TTN) in which Tokyo Electric Power has a 48.5 per cent interest, says it already has 87 clients, but it is offering services mainly as a backup to NTT and only in Tokyo Electric Power's operating area around Tokyo.

NTT says it has not noticed any effect on its business as a result of the new competitors. However, this is probably because very few of the competitors' customers are connected yet. NTT has not yet cut its prices, but would do so, it says.

Meanwhile, in other sectors: Two consortiums, Teley Japan and Daini Denden, have

just been awarded licenses by the MPT to provide cellular radio (car telephone) services, breaking NTT's monopoly in this \$340m a year market.

Two consortiums, International Telecommunications Japan (ITJ) and International Digital Communications (IDJ),

Probably the most controversial aspect of deregulation has been the introduction of foreign competition

are competing for a license to operate international telecom services in competition with KDD. The total market is estimated at \$1,000m a year.

Ten companies are seeking licenses to operate radio paging services, many of them on a regional basis only. At present, NTT monopolises this \$40m a year market.

As part of the 1985 legislation the whole area of value added networks (the implementation

of service not normally offered by the common carriers) was completely liberalised and, according to one recent report, more than 200 companies have already begun operations. Only about a dozen are offering large scale commercial networks, but the MPT estimates that 88 per cent of all companies with more than 1,000 employees are already using VANS.

Probably the most controversial aspect of the deregulation process in the past two years has been the introduction of foreign companies to the telecoms industry. The legislation specifically provided for foreign involvement of up to 33 per cent in telecommunications companies, but this has run into strong opposition in some quarters.

Indeed, Mr Shunjiro Karakawa, the Minister of Posts and Telecommunications, told the UK Trade and Industry Secretary, Mr Paul Channon, last November, that the British company, Cable and Wireless, was not welcome in the IDJ consortium. He said no other developed country allowed foreign ownership in its telecoms industry and he did not see why Japan should either.

However, both the US and UK governments have made clear to the Japanese Government that they regard this issue as a symbol of Japan's stated determination to open its markets to foreign participation.

Once that issue is settled, the focus of the foreign governments will move to equipment procurement by the new carriers. The US has obtained agreement from the Japanese Government that it will make greater efforts to buy foreign telecoms equipment. But this has produced very meagre results so far. Only about 1 per cent of Japan's ¥2,050bn in telecoms equipment is imported.

Once all the new companies are operating, competition promises to be fierce. Japan's big trading companies, Matsui, Mitsubishi, Sumitomo, C. Itoh, Marubeni and Nishio Iwai, have emerged as major shareholders in many of the new consortiums, and they are not likely to give up easily. Mitsubishi, for example, has 15 per cent of

TINET, 75 per cent of Space Communications and is a leading partner in ITJ. Mitsui is in Japan Communications Satellite, Japan Telecom and Teley Japan.

Once the shakeout occurs, however, the potential for the survivors looks very good. According to a recent study by Nomura Securities, the total telecoms market should grow by an average 11.6 per cent from now until the year 2000 when it will be worth about ¥80,000m, or 15.9 per cent of Japan's gross national product.

Competition set to bring fresh benefits to video buyers

THE business of consumer video is about to reach a crucial stage in its meteoric growth. As with all new products the market does have a ceiling beyond which further growth depends on the introduction of extra consumer benefits—such as hi fi sound, or the addition of so-called "bells and whistles" which are often cosmetic and of limited usefulness. Other more serious developments, of genuine value to the video consumer, are however imminent—stimulated by fierce commercial rivalries.

Manufacturers of video cassette recorders (VCRs) have been engaged in a bitter war, centred on the competing formats of VHS—led by JVC, and Beta—led by Sony. The promised boom in sales of camera cassette recorders (CCRs) has added zest to this, with JVC adhering to its own VHS standard, and Sony adopting the new 8 mm video system. With US imports of CCRs in 1986 expected to be up 250 per cent to some three quarters of a million units, video manufacturers are vying for the home movie-maker market as a backup for slackening VCR sales.

Another new element has also come into play: the search for better picture quality. JVC has just announced an upgraded version of VHS with the astonishing claim that in some respects this will provide better quality pictures than broadcast TV. (Known as Super VHS, the development has been carried out in collaboration with other Japanese manufacturers: Hitachi, Matsushita, Mitsubishi and Sharp.)

There are no indications, as yet, that Super VHS will be extended into the CCR market—usable for video movie-making. At present the battle lines of that particular war are still confused. On both the 8 mm and VHS sides there is an impressive lineup of competing CCRs—some, such as Sharp, Philips and JVC exclusive to VHS; others like Kodak, Pioneer and Sony dedicated to 8 mm.

A few, like Minolta, Pentax and Hitachi have hedged their bets, selling and/or manufacturing both VHS and 8 mm CCRs. The array of company loyalties is indeed becoming very complex—Matsushita, for example, manufacturing 8 mm video for other equipment manufacturers but not selling it itself.

Other companies have even newer ideas. When 8 mm video was first announced, some wags—amazed that such miniaturisation was possible—joked about "4 mm next?" In fact, 4 mm video is now a reality, with Samsung of South Korea adding further confusion to the market.

Many in the audio business have been getting very twitchy about DAT, afraid that it might depress the sales of compact discs. The point about digital recording, whether for audio or video purposes, is that it allows cassettes to be copied very easily without loss of quality—providing wish-fulfillment for the copyright pirates. Digital systems also allow improved signal processing in the chain from camera to television screen.

A form of digital recording—pulse code modulation (PCM)—is now being used in the sound system for some new generation VCRs, where hi fi audio is being featured as one of those extra consumer benefits. PCM was first introduced to home video on the 8 mm format, but in Japan Toshiba has just introduced a VHS VCR with four-channel PCM surround-sound for the consumer who has everything but still wants more.

Although a refinement such as hi fi sound may be of potential importance to the consumer, it seems rather pointless if the accompanying picture quality is no match for it. The JVC development of Super VHS could therefore introduce a significant advantage in the VHS/8 mm contest. Sony is pushing 8 mm, but as a total home audio-video system—so the arrival of Super VHS is an attempt to reaffirm the position of VHS in the future as well as being a de facto standard of the present.

FILM AND VIDEO

by John Chittick

bet by demonstrating a CCR system based on the digital audio tape (DAT).

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JVC is committed to this strategy, developing VHS to provide even better performance rather than following the Sony route of a totally new standard. It may be that JVC and its followers are denying themselves some technical manoeuvrability in sticking to a well-established format, but this is a marketing decision based on the world domination of VHS as an interchangeable system.

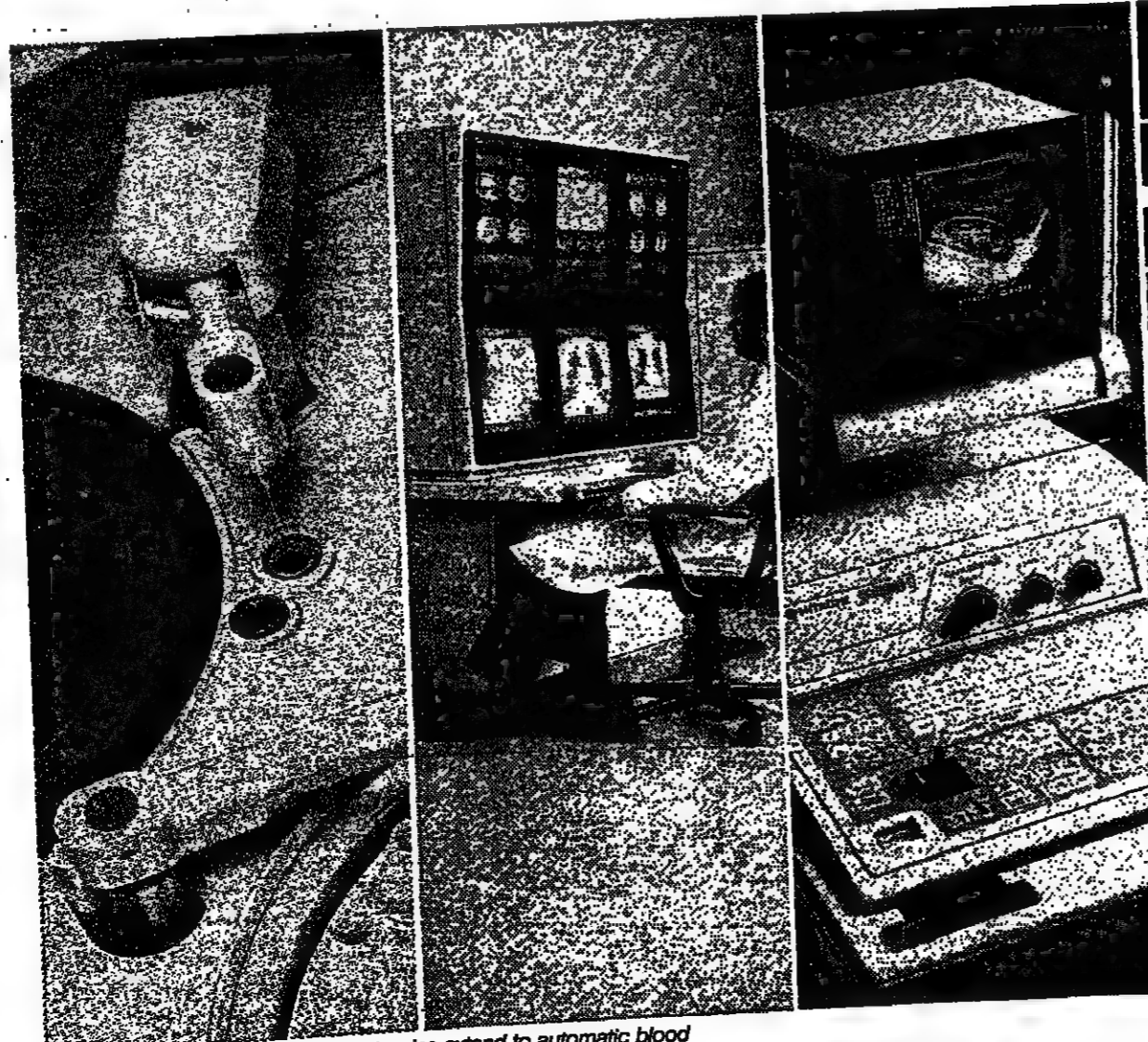
There are parallels—perhaps lessons—to be found in the history of sprocketed film. Although the world has been subjected, over the past 30 years, to a variety of film formats—8 mm, 9.5 mm, 16 mm, 35 mm, 70 mm, to name the leaders—only 16 mm and 35 mm have survived as viable systems.

The motives for introducing other film gauges were not dissimilar from those now afflicting the video business—either miniaturisation or improvement in picture quality. Comments voted with their pockets—35mm was popular as a home movie system simply because of the much lower running cost; but 16mm survived because it was—and still is—a universal standard despite all of the semi-professional 8mm film variants that were introduced (including optical sound-on-film).

In the arena of the commercial cinema, the justification for other film gauges was for picture quality. Again, the de facto standard of 35mm film has proved to be the survivor; not only because all cinemas are equipped for it, but also because film stock and equipment manufacturers have demonstrated an infinite capacity to coax better picture quality out of 35mm film.

The same principles of standardisation and quality may apply to home video. Miniaturisation and running cost are not however issues as they were with home cine films: the rival video formats have little to choose between them on these scores. For companies such as Sony, Kodak and Canon which have put all of their consumer video hardware into the 8mm basket—hoping to hatch a golden egg—it still looks like a gamble. The consumer benefits of 8mm video, compared to VHS, are at worst, marginal and at best challengeable—as Super VHS seems ready to demonstrate.

Medicine should be more than the ability to treat or cure. The best care and treatment come from precise diagnosis.



Hitachi's advances in medical electronics extend to automatic blood chemistry analysis, a Picture Archiving and Communications System, diagnostic ultrasonics and Magnetic Resonance Imaging.

Medical electronics have brought marvelous progress to diagnostic medicine in recent years. Great strides have been made in biochemical analysis, electron microscopes and medical information systems. Another shining example is the advent of imaging equipment which uses magnetic resonance to display even the most subtle changes in body chemistry.

Hitachi's scientists and engineers are now at work on an innovative system which will make it feasible to store, retrieve and use comprehensive diagnostic data from a wide array of imaging equipment—from the most sophisticated Magnetic Resonance Imaging units (MRI) to nuclear medicine, ultrasonic scanners and X-ray CT, to name just a few. This Picture Archiving and Communications System (PACS) should lead not only to more precise diagnosis but also to formation of research and education information networks which use medical image data to the fullest.

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MANAGEMENT: Small Business

West Coast start-ups

Venture capital shops around

Louise Kehoe explains the increase in funding for US retail and consumer operations

"NON-TECH" IS beginning to challenge "hightech" as a favoured form of start-up among America's West Coast venture capitalists and investment bankers.

For the past decade financiers have concentrated most of their funds in companies setting up in computer electronics and biotechnology. Now, what began as a trickle of funds into "specialty retail" start-ups just a few years ago has become a major trend as venture capitalists eagerly eye up business plans from would-be shopkeepers, food service operators and a wide range of consumer products manufacturers.

About 20 per cent of the \$3bn of venture capital money raised in the US last year went into non-tech firms, the venture capitalists estimate.

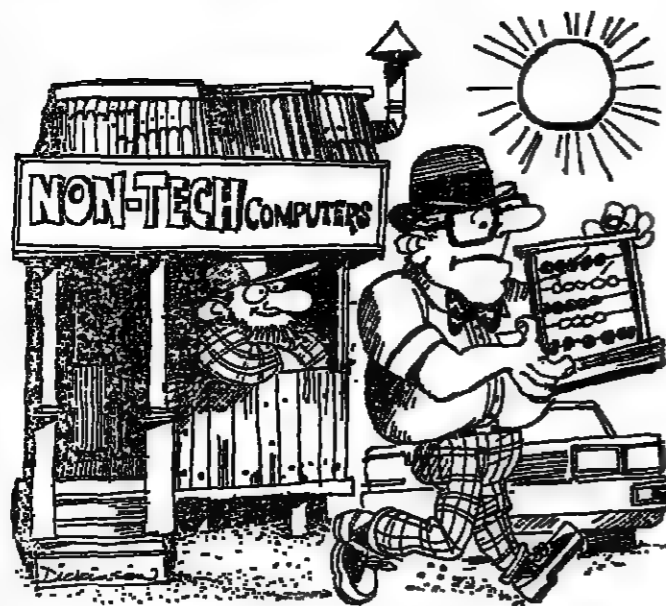
Examples of this new range in non-tech start-ups include companies like C. S. Brod, an up-market toy store chain designed to appeal to higher income "yuppie" parents, and Home Express, a fashion-oriented housewares and electronic equipment chain. Others include an athletics shoe manufacturer, a pre-school gymnastics franchiser, and discount office equipment supplier.

Why the switch from high-tech?

The disappointing results of many high-tech start-ups are certainly a factor, says David Nierenberg, a new partner in Trinity Ventures of Cupertino, California, which plans to diversify its investment portfolio to include retail and service companies while keeping roughly 70 to 80 per cent of its investments in technology sectors.

"In the early 1980s there was too much venture capital money chasing too few opportunities in high tech," agrees Earl Hamlin of Hambrecht and Quist, "and the returns went down." A few early successes in the consumer and retailing fields encouraged venture capitalists to explore these sectors and "now the money is pouring in."

Setting the trend in US Venture Partners of Menlo Park, California, a group set up six years ago by Philip Schein, the former head of Macy's California, who has specialised in retail investments. Impressed by US Venture's successes in discount warehouse



chains and other consumer-oriented start-ups, several former high-tech venture specialists have followed the group's lead.

The consumer product and retail industries are ripe for venture investment, says Thomas W. Weisel, managing partner of Montgomery Securities, one of San Francisco's largest investment banking firms, which is in the process of raising a \$60m to \$100m venture fund dedicated to the consumer and retailing sectors.

"Twenty years ago we saw some of the first high-tech start-ups such as Intel and Advanced Micro Devices spawned. Potential entrepreneurs working for larger companies watched the success of these start-ups. Then venture capital became readily available and that was what created Silicon Valley," he recalls.

"Until recently, that hasn't happened in consumer and retailing. But with the consolidation of some of the major companies such as Bestrice and May Department Stores, there has inevitably been some management fall-out. Those people are looking at the alternatives, and some of them are doing start-ups. We think a whole new era is starting to unfold."

"We don't see any diminution of the opportunities in high

tech," stresses Weisel, "but we also see enormous opportunities in consumer products and retailing."

Among the attractions of consumer products and retail companies are their relatively low initial capital requirements. In contrast to high-tech start-ups, which typically require heavy initial investments for research and development, consumer and retailing start-ups can begin operating with a small budget. "You can test market a product, or set up a couple of stores for a few million dollars," explains Weisel.

"The time is right for consumer and retail because there have been enough examples of successful start-ups that it is possible to prize high quality managers out of the big companies," adds Weisel.

Weisel also sees growing opportunities in funding leveraged buy-outs, particularly in the retail field. According to a venture capital survey conducted by Venture Magazine almost a third of the funds invested by venture capitalists in the US last year went into leveraged buy-outs.

Diversification should help to cushion the venture groups against the dramatic cyclical swings of fortune in high tech manufacturing. But there are

dangers for the unwary. "Venture capitalists have traditionally spent 80 per cent of their time focusing on companies that create only 20 per cent of GNP," notes Nierenberg. "Now they're rushing into specialty retailing and other fields, in an effort to make their portfolios look trendy, yet many of them have little experience in these areas."

Some of the best known names in West Coast investment banking are taking a cautious approach to diversification. Hambrecht and Quist, for example, is gradually building up its expertise in "non-tech" and "applied tech" areas. "We started to place more emphasis on applied technology two years ago," says Hamlin, who carries the unlikely title of "general whatnot" because he deals with companies and industries that do not fit into H and Q's traditional high tech interest groups. Among H and Q's most successful non-tech companies is Westwood One, a radio programme producer and distributor. The banking group is also focusing on information data base providers and specialist financial services.

Last month H and Q acquired Fisher and Company, a small investment banking company that has specialised in the food and beverages industry to form the nucleus of a new consumer group that will concentrate its activities on mergers, acquisitions, private placements and public offerings, says John Fisher, who will head the group.

Non-tech and applied tech companies could come to represent 25 to 30 per cent of H and Q's business over the next few years, Hamlin predicts. At Robertson Coleman & Stephens, another San Francisco technology-oriented banking firm, a group has been formed to target commercial banking opportunities in the consumer products industry primarily in underwriting public offerings.

Not all venture capital groups are following the herd. Kleiner Perkins Canfield & Byers, one of the West Coast's premier venture groups, is sticking to its high tech roots. "We still believe in high tech," says partner Regis McKenna, "we have to be able to add value beyond money through our expertise in high tech."

A WAY OF realising the American dream. An answer to the Woodstock generation's desire for independence and self-fulfilment. Both are suggested in Steven Solomon's *Small Business USA* as reasons why Americans set up in business on their own.

But Solomon's account of the US small firms sector also draws attention to its bleaker side. Small business must work with the economy's least desirable economic resources and its least promising opportunities, he warns.

The problem which has faced the small businessman in the US when he has been dealing with politicians and legislators is getting himself taken seriously. US economic power throughout the 20th century has been typified by the great industrial corporation.

The small firm has been viewed as a sympathetic but anachronistic leftover from a simpler economic era. Yet to everyone's amazement, the economic downturn which set in in the mid-1970s has highlighted the role the small businessman has played in the US economy.

The small firms sector was

A powerful fourth force

Charles Batchelor reviews a book on the place of small business in the US economy

seen to be a significant producer of wealth and jobs at a time when big industry and government were unable to continue the prosperity they had produced since the turn of the century.

Solomon argues that small business is a powerful fourth force — alongside big business, government and labour — in the modern US economy. Firms employing up to 500 people accounted for 38 per cent of GNP, 43 per cent of private sales and 48 per cent of non-farm employment.

Small business supplies the "give" in the economic fabric by absorbing the fall-out arising from economic instability; it frequently plays a leading role in developing new products and

it creates new jobs. It also helps ease change, breaking up the wage and work rule rigidities in some basic industries such as steel. By competing on the basis of lower labour costs it acts as a domestic equivalent of foreign imports.

Where does small business go now that the big company economy is recovering? Growth of the services sector and the continuing rapid rate of change will favour smaller, more adaptive enterprises, says Solomon.

But against this must be set the increasing internationalisation of trade which will expose the minimal marketing and export power of small business.

In industries where technology and markets are fairly

stable, big corporations will tend to dominate. Those marked by rapid and unpredictable change are likely to be more rewarding for small business, Solomon concludes.

At one point he retells the delightful story of how Wilson Harrell, a small businessman, outwitted Procter & Gamble in the late 1960s when P&G attempted to move into a niche in the household cleaner market then dominated by Harrell. Then dominated by Harrell, P&G's plans Harrell Learning of P&G's plans Harrell withdrew his own Formula 409 product from the market so that P&G's market test produced deceptively encouraging results. He then returned to swamp the market with his own product — selling in large discount packs — just ahead of P&G's nation-wide launch. Confused by the conflicting results of the test and the poor launch sales P&G soon pulled out of that market.

Though Solomon, who is a journalist, uses several tales like this to enliven his account, too much of his book is a rather wordy application of general economic theory to his subject.

* Crown Publishers, 225 Park Avenue South, New York, 358 pages, \$19.95.

Fairer share of UK regional funding sought

KEITH DAY, the local director of the National Westminster Bank on Merseyside, is currently putting together a working party that could help reduce the regional imbalance that afflicts the availability of venture capital in Britain.

The severity of the imbalance is told in the statistics: more than half of the funds raised for venture or development capital go into London and the South East, despite the fact that 70 per cent of all businesses registered for VAT are located in other parts of the country.

Day's working party will be evaluating a paper written by David Boulton, who recently retired as director of the Community Development Finance Trust, the enterprise agency inspired by the locally-based glassmaker Pilkington Brothers. Boulton, who will serve on the venture capital working party — was and remains a member of a remarkable body called the Merseyside Enterprise Forum, to which Day's working party will report.

Founded by the now defunct Merseyside County Council, the Forum is a mixture of about 50 leaders from industry and commerce, the churches and trade unions. Among the more important ideas it has produced was the initial concept for a barrage across the River Mersey. Its future was threatened

when it lost its county council patron, but Liverpool University stepped in, providing administrative back-up, the senate chamber for meetings, and wholesale commitment from Graham Davies, the new vice-chancellor.

The virtue of anything that Day's venture capital working party produces is that it will probably be applicable throughout the UK, where most regions have the same problems. In any event, the working party is tackling the problem not so much as a Merseyside one but from a north-west regional point of view. So its base is a grouping of more than 6m people in Greater Manchester, Merseyside, Lancashire and Cheshire.

Boulton says that a fairer share for the north-west of the currently available British venture capital should be 16 per cent of the total, rather than the 14 per cent it gets at present. He also believes it is as unjustified that many London funds fail to invest in regions from where they actually get much of their money via pension funds.

He thinks distance alone is the main cause; most venture capitalists agree that the best deals usually require local knowledge. Only big deals in the regions are worth the effort for London funds. Until recently, "big" was defined as

anything over about £250,000.

Boulton wrote his paper after talking to officials of the Department of Employment and Trade and Industry, a private sector advisor to small firms minister David Trippier, and knowledgeable people from accounts firms Harwick, the Bank of England and ICI. Ominously, he says that London's "not worth our while" figure has now risen to £500,000. The result, he says, is a current rejection rate of regional proposals of about 85 per cent.

One reaction to the problem has been the creation of enterprise boards by the old metropolitan county councils of West Yorkshire, Merseyside and West Midlands. The funds have survived the councils' abolition and Boulton believes they will become increasingly more efficient and competitive.

They could be expanded and take a dominant role in regional venture capital investment, although Boulton questions whether the regions would be wise or willing to put all their eggs in this basket. He also points to the merely marginal effect of other regional funds — usually formed to fill the £20,000 to £50,000 equity gap.

What he thinks might work is something he is calling a Regional Investment Agency. This would appraise projects

and make investment decisions. It would have power to insist on managements being brought up to scratch, if required, and would also assist in achieving this.

The agency would have a fund of about £30m a year, the money coming from locally based pension funds, large businesses which might be looking for corporate venturing opportunities in the regions, and national institutions with regional links which they want to nurture or preserve.

He thinks the agency could be run by a staff of six with an active board drawn from institutions, industry and commerce in the region. Keith Day's working party will be taking the ideas further with City institutions, Government departments and the like, so as to develop them to the report stage. Boulton thinks that the working party might also be able to persuade a couple of large companies in the North West to fund and support a single experienced executive to market the ensuing proposal among the funds.

He has some support from outside the Merseyside Enterprise Forum already, notably from Ocean, the shipping and transport group, and ICI, a major employer in the area.

Ian Hamilton Fazey

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3rd March 1987

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10018 to 10034 incl	10018 to 10034 incl
10035 to 10051 incl	10035 to 10051 incl
10052 to 10068 incl	10052 to 10068 incl
10069 to 10085 incl	10069 to 10085 incl
10086 to 10102 incl	10086 to 10102 incl
10103 to 10119 incl	10103 to 10119 incl
10120 to 10136 incl	10120 to 10136 incl
10137 to 10153 incl	10137 to 10153 incl
10154 to 10170 incl	10154 to 10170 incl
10171 to 10187 incl	10171 to 10187 incl
10188 to 10204 incl	10188 to 10204 incl
10205 to 10221 incl	10205 to 10221 incl
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10426 to 10442 incl	10426 to 10442 incl
10443 to 10459 incl	10443 to 10459 incl
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10579 to 10595 incl	10579 to 10595 incl
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10613 to 10629 incl	10613 to 10629 incl
10630 to 10646 incl	10630 to 10646 incl
10647 to 10663 incl	10647 to 10663 incl
10664 to 10680 incl	10664 to 10680 incl
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FINANCIAL TIMES

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Tuesday March 3 1987

Mr Craxi goes with honour

WESTERN EUROPE loses one of its more well established Prime Ministers today with the resignation after three-and-a-half years in office of Italy's Mr Bettino Craxi.

This is not a statement which could have been made about any of his 15 post-war predecessors, some of whom were Prime Minister more than once, but without ever managing to keep a government in office as long as Mr Craxi.

His record is unlikely to be matched in the short term. Either his successor will navigate through some very rough waters until general elections next year, or irreconcilable differences will require Italy's parties to seek an earlier election to establish a new basis for co-operation.

Seen from the outside, of course, it seems decidedly odd that Mr Craxi should be going at all. In the judgment of very many Italians, he has led one of the best post-war governments and brought to the premiership an unusual combination of decisiveness, courage and imagination. His impact abroad was probably stronger than that of any of his predecessors since de Gasperi. He was greatly helped, indeed, by the government of Italy, by the unusual gift of time and continuity. The fact that heads of government in Europe, North America and Japan have grown accustomed to seeing the same Italian Prime Minister at a series of EEC and world economic summits has undoubtedly helped to shape Italy's growing image of stability and seriousness. Mr Craxi, to his credit, contributed more than just an unusually large Italian physical presence to this process.

Settling the teachers down

LITTLE PROGRESS towards the reform of Britain's education system can be made until the disruption in the schools is finally laid to rest. Since educational reform is a prerequisite of the regeneration of the economy, the importance of settling the teachers down is all too obvious. At the same time it would be damaging to the long-term health of the system if the teachers were bought off at an unacceptable price or if their unions were to continue their game of political leapfrog for an indefinite period.

For all these reasons yesterday's statement by Mr Kenneth Baker, the Education Secretary, on the pay and conditions of employment of schoolteachers really ought to be the end of the matter. The unrest in the classrooms has persisted for some two years now. Negotiations have followed negotiations, with disunity among the teachers' unions as much a cause of failure to agree as anything else. Even had he been willing to do so, Mr Baker might have found it impossible to strike a deal that all sides could accept.

In a less Byzantine area of industrial relations a settlement might reasonably have been expected in the weeks following Mr Baker's proposals of last October. He put enough new money on the table at that time to provide for an average increase of 16.4 per cent in the schoolteachers' salary bill, to be paid in two stages—the first in January of this year and the second in October. If this is compounded with the 7.4 per cent increase paid in March and April last year the total effect is of a rise of 25 per cent between March 1986 and October 1987.

Basic scale

Even with the assistance of the Advisory, Conciliation and Arbitration Service (Acas) it proved impossible to get a settlement through. Mr Baker struck out for greater flexibility in the management of teaching staff, and for high salaries to be paid for excellent performance and to teachers in areas of scarcity. It was therefore, proposed that the Burnham negotiating machinery, which had so signally failed to do its job, be abolished, and that the Education Secretary be empowered to impose a settlement by law.

Those powers have now been

win acceptance of the Italian position.

If his interest in symbols had been better balanced by substance, he could have done even more to raise Italian status by adjusting a policy or two. If, for example, Italy is a leading industrial power in Europe, should the country not be seen to be acting to reduce the more than 150 branches of EEC regulations of which it stands accused? Or is Italy to be granted more weight within the western alliance, then should not defence spending be raised somewhat closer to the Western European average?

Difficult though they may be, these are all issues which will have to be confronted sooner rather than later as an adjustment to the new-found strength of modern Italy. Mr Craxi's resignation, though not all of his colleagues did, that foreign policy has ceased to be a matter of passive membership of Nato and the EEC and that some difficult choices have to be faced.

Financial benefits

He made a start with the Middle East whose rivalries have brought terrorism to the Italian doorstep and a Libyan missile within its waters. In the absence of US peace efforts, Rome gave up trying to be all things to all governments and put its weight and money behind the moderate Arab cause. Similarly, acceptance of Nato's cruise missiles at a time when deployment in other countries was in doubt dragged Italy in from the sidelines on East-West security issues and forced the Government to sharpen its thinking—not least because of the dialogue that Mr Gorbachev has been assiduously opening up with Rome.

major area of neglect remains the European Community. In an enlarged and financially strapped EEC, Italy cannot continue to boast of the third largest GDP while drawing net financial benefits of over \$750m a year. New priorities will have to be determined, particularly as between agriculture and regional development. Italy has only started to adjust to its new position in a more complex world. Mr Craxi's resignation, though not all of his colleagues did, that foreign policy has ceased to be a matter of passive membership of Nato and the EEC and that some difficult choices have to be faced.

granted in the Teachers' Pay and Conditions Act, and Mr Baker's first use of them is set out in yesterday's statement. He has slightly rearranged his package to move towards the proposals of the two smaller teaching unions that did continue negotiations; most notably he has raised the top of the new basic scale by \$800 to \$12,300 a year, and followed Acas more closely in matters of teachers' duties. There is now to be a brief period of consultation, which could result in the back-dated increases being paid with the May salaries.

Pay settlements

None of this is likely to prove sufficient to produce an immediate acceptance of the imposed terms. A large majority of the local authorities, including many Conservative councils, is understandably upset at the assumption of power by the central government. It is possible that some teachers will resume industrial action next week, following successful ballots on questions put prior to yesterday's announcement by Mr Baker.

The forces that will bring about a settling-down cannot work quickly. The local authorities will presumably obey the law when Mr Baker's consultation period is over they will have little option but to introduce the terms he is imposing by statute. The unions will not benefit from further attrition: the National Union of Teachers, the largest, is already being squeezed by disaffection on both its left and its right. Many teachers, and most of the public, want to see the dispute ended. Time may work to the Government's advantage.

Even if it does, that alone will be only a short-term solution. For the new law under which Mr Baker is imposing his settlement fails to provide for machinery to replace the Burnham system: rule by the Minister and his appointed advisers is likely to prove unsatisfactory to all sides. In the long run locally-negotiated pay settlements, perhaps between the proposed new managerial broad of headmasters and a less chaotically-divided set of unions, is a desirable objective. Mr Baker has not yet shown how he intends to get from here to there.

FOR THE first time since the Afrikaner-dominated National Party scraped into power in South Africa in 1948, the future of the party and its leaders is in question.

The announcement of a white general election has highlighted the failure of President P. W. Botha's cautious reform strategy to tackle the central issue of South African politics—how to give blacks a real share of power while guaranteeing an acceptable future for whites.

Faced with the choice between moving further and faster than intended towards genuine power sharing negotiations or retreating to defence of "group politics" and white privilege, Mr Botha has opted for the latter. His lurch to the right was originally intended to steal the right wing's thunder, play on white resentment at American and foreign "interference" and win a mandate for a vague policy of "responsible reform," which would allow the continued defence of white interests.

But it looks as if he may have pushed the party too far right for "verligte" or enlightened Afrikaners and others whose perceptions of South African Society and the need for reform have changed substantially over the past three traumatic years.

Afrikaners, who make up around 60 per cent of the 3m whites eligible to vote on May 1, have never been monolithic in their views. But this tribal base of National Party power is probably more fragmented and divided now than at any time since the bitter divisions between "bitterenders" and "hensoppers"—literally hands-uppers or defectors—which emerged towards the end of the Anglo-Boer war over 80 years ago. The Dutch Reformed Church, the "Broederbond" secret society, the Afrikaans university, Afrikaans business—all are engaged in an often agonising debate whose key question is whether Afrikaner survival is best guaranteed by clinging to the ethnic, group-politics of National Party apartheid orthodoxy or by forging political alliances with moderates of all races.

Inevitably this debate is most acute within the National Party, which has already suffered two right-wing splits over reform, the most recent five years ago when 16 MPs left to form the right-wing Conservative Party in February 1982. Now it faces the new threat of defections on its left—although the only sitting MP to have split so far is Mr Wynand Malan, a prominent younger generation "verligte".

Despite defections, the NP goes into the elections with a majority of 136 seats in the 27-seat House of Assembly, will almost certainly retain a substantial majority after the election. But a recent revolt by leading Afrikaner academics like Professor Sample Terre-



"Please accept my resignation", the Cape Times' cartoon view of a National Party weakened by a wave of "verligte" defections; one of the most prominent recent defectors, Mr Denis Worrall, resigned last month as ambassador to Britain to fight the forthcoming election as an independent

blanche of Stellenbosch University, the decision of former Nationalist MP and Ambassador to Britain Mr Denis Worrall to challenge Mr Botha's heir-apparent, Mr Chris Heunis, in the Cape and a growing sense that President Botha has lost touch with mainstream white opinion, has created an impression of unprecedented fluidity in white politics.

This questioning of the party's competence, vision and drive also extends to the personality and powers of Mr Botha himself. These personal powers were dramatically

Mr Botha called an election to head off a challenge from his right

increased by the 1984 Constitution which created three racially segregated Houses of Parliament and extended the powers of the executive.

The way he has used these new powers in recent weeks has raised eyebrows. The televised humiliation of the Rev. Allan Hendrickse, leader of the coloured Labour party, after his defiant swim at a whites-only beach in January, his use of parliamentary privilege to launch a personal attack on Chris Ball, chief executive of Barclays National Bank for allegedly amassing a pro-Afrikaner National Congress (ANC) press advertisement and Mr Botha's portrayal of the ANC as "terrorists," have all added to the business community's doubts over his ability to act as a credible reformer, leader with a vision of the future.

The problem is compounded by a lack of an imaginative-looking hair and a

fact that the two front-runners Mr P. W. De Klerk, party boss of the Transvaal, and Mr Chris Heunis, Constitutional Affairs supreme and party head in the Cape, are themselves among Cabinet ministers whose seats are under threat.

Ironically part of Mr Botha's problems stem from the at least short-term success of the state of emergency imposed in June. Questioning of unofficial figures released by the country's Institute of Race Relations, the declared civil war in the black townships claimed 221 deaths in May, the month before the emergency was re-imposed, but the monthly toll had dropped to 33 by December. It is a sullen peace, imposed by a heavy security force presence in the townships, the detention of over 30,000 unofficial black community leaders, and authoritarian restrictions on individual and press freedoms—but it is order of a kind and reassuring to many less sophisticated whites and blacks.

The quality and durability of that "peace" is now being questioned as never before by thinking South Africans. Together with the credentials of a government which, after 40 uninterrupted years in power, has brought South Africa to the point where order can only be maintained through the barrel of a gun, civil liberties are under threat, the economy under siege and most of the rest of the world looks on South Africans as pariahs.

Thus Mr Botha, having called an election to head off a challenge from his right, has himself facing a potentially far more serious threat from what, for lack of a better term, might be called the left.

Fortunately for him, the tribal nature of white politics

means that the National Party does not yet face a powerful institutional opposition. The official white opposition Progressive Federal Party (PFP), under its methodical but uncharismatic leader Mr Colin Eglin, hopes to nearly double its present 27 seats in the Assembly. Assuming, as many political observers now do, that the right-wing parties—the Conservative and Herstigte Nasionale Party (HNP)—will not gain much more than 30 seats (far less if they cannot end their feudings and agree on an electoral pact), this would leave the National Party with a comfortable majority.

At this stage disaffected Nationalists to the left of Mr Botha have nowhere else to go—except in the two seats contested by Mr Malan and Mr Worrall. For most Afrikaners, the PFP is perceived as the English-Jewish party, backed by his business and imbued with an hypocritical sense of moral superiority. The conventional Afrikaner view is that the mainly English supporters of the PFP, and the rump New Republic Party (NRP) in Natal, which the PFP has agreed an electoral pact, have been able to save their consciences by voting against apartheid, while profiting from white privileges guaranteed by 40 years of National Party hegemony.

Well aware of this negative image among Afrikaners, the

HOUSE OF ASSEMBLY

Party	Total
National	126
Progressive Federal	27
Conservative	18
New Republic	5
Herstigte Nasionale	1
Independent	1
Total	179

Mr Worrall (who although an English-speaker is standing in a largely Afrikaner constituency) or Mr Malan into the PFP fold.

It has decided instead to stand aside in the hope that both men will defeat the National Party candidates in straight fights.

The theory is that the defeat of a few leading Government ministers and a haemorrhage of left-wing votes would open up the prospect for further defections and a re-shaping of the white political map once the elections are over.

Professor Sample Terreblanche, another recent defector, estimates that up to 30 per cent of the Afrikaner electorate is looking for a new political home and that perhaps 85 MPs might cross the floor to create a new alliance between liberal Nationalists, PFP and Independents if the National Party was sufficiently weakened at the elections. The aim would be to forge a new reform coalition, find a credible leader and agree on a programme in the two-year interval before new elections for the white, coloured and Indian Houses of Parliament in 1990. The real challenge to National Party hegemony would take place then.

The message which the PFP and the Independents are putting across to the electorate is that strong support for "reformist" and Government candidates would not only shake up the ruling party but also send a signal of hope to the unrepresented black majority. The counter-argument, put by Foreign Minister P. W. Botha earlier this month, is that the best way to get moderate blacks to come forward and participate in the Government's proposed advisory body, the National Statutory Council would be for

whites to give a massive endorsement to the National Party and confirm it as the only effective channel for future power-sharing negotiations.

A poor showing by the Right would remove the main excuse used by the Government thus far to justify the slow pace of reform. But it would not remove doubts that the National Party under Mr Botha or his likely successors would use another endorsement by the electorate more creatively than the past.

At least that can be said is that the white electorate no longer seems in the mood to

He now finds himself facing a more serious challenge from the left

give a blank cheque to the Nationalists. Neither will it be sufficient for the Government to use its control of patronage and the electronic media to run a blustering campaign against American and foreign interference, as once seemed likely. Blacks may have suffered most from the low-level civil war of the past three years but it has not left whites untouched. Many are looking for new ideas and new leadership capable of trading privilege for partnership with moderates of all races—before the polarisation of South African society becomes irreversible.

Whether the National Party "monolith" can be broken is still very much an open question—which is why all eyes are currently fixed on Heidelberg in the Cape and the contest between Denis Worrall and Chris Heunis. If the mould is to break it must crack here first.

Rockefeller compliments City

The black Dalmer posing its way around London from one important venue to another (No 10, Bank of England, Stock Exchange...) carries David Rockefeller, scion of the great US family and former chairman of the Chase Manhattan Bank.

Rockefeller, now 71, is on one of his periodic visits on behalf of the bank where he is still chairman of the international advisory committee. After the UK, he heads off to Spain, Portugal, Italy and West Germany for more meetings with heads of government and central banks.

As one of banking's elder statesmen, Rockefeller takes a lofty view of world events, but he was gracious enough yesterday to compliment the City on its handling of the Big Bang. "It assures the UK's on-going pre-eminence in the world financial markets when it might have gone somewhere else," he said.

His greatest worry is the Third World debt problem which he believes can only be solved if Latin American economies are able to grow. If he has a message to deliver during his tour it is to urge government leaders to resist



"You've been told not to play by-elections, some of that and is bound to stick"

Men and Matters

any actions, such as protectionism, which stifle world trade. Generally, he says, "This is a very difficult period to be in banking because of all the changes."

"Commercial banking, as I know it when I joined Chase in 1948, has become unrecognisable. But that's a good thing. It's less complacent and stodgy, and more aggressive and imaginative. They measure staff's performance more closely now. When I joined, you were unlikely to be fired unless you shot your mother."

Treasury thoughts

As scion of City forecasts of what Nige Lawson has in store for us in his March 17 Budget land on the desks of investors and journalists, the prize for ingenuity must go to the economists at securities house Alexander, Laing and Cruck-

shank. His clients opened their mail yesterday to find a perfect replica of the Financial Statement and Budget Report—the Red Book—which Lawson will publish in two weeks' time. Details of the planned tax cuts, forecasts for the economic outlook, and the traditional reaffirmation of the medium-term strategy are reproduced in exactly the same format as in the official tome. The standard platitudes about deflating inflation and creating an enterprise culture could not have been better drafted in the Treasury.

Even the price—£6.90—marked on the outside cover represents last year's charge indexed for inflation. The economists—Andrew Smith and Glenn Davies—have also saved the Chancellor the trouble of writing a speech. The expected 3p of the basic rate of tax, the introduction of a new mobility allowance to

help the unemployed, and vote-winning increases in pensions are all explained in a 15-page Budget Statement accompanied by the Red Book.

Most important of all, they have found a way for the Chancellor to maintain his record of abolishing at least one tax in every Budget—this year, it is the turn of the dog licence.

Score keeper

Peter Scaman, senior partner of Peat Marwick Mitchell in South Yorkshire, who takes over soon as president of the Sheffield and district society of chartered accountants, has declared himself a man with a mission to explain the accountant's role.

He does not like the image of accountants as back-room number-crunchers. He wants to portray the more positive aspects of their lives. In his own case he has an image to live down as one of the leading receivers and liquidators of Sheffield's traditional industries during the prolonged recession the steel city has suffered. Prominent on his desk even today are tomes on insolvency law. He points out that, in fairness, he has helped save a lot of businesses.

Old attitudes about accountants die hard among Yorkshire folk, however, as John Kirkham, a partner in the Sheffield office of Ernst and Whinney, relates. When one of the city's successful manufacturers decided to go public, its autocratic chairman was advised that the prospectus would look better if the company had a chartered accountant on the board among the plethora of family directors and engineers. "Fix it," he growled at his auditors. Came the new boy's first board meeting. He was astonished at the way the chairman rattled

through business without discussion. When "Any other business" was reached he decided he had to say something and ventured, "Er, Mr Chairman, I..."

He got no further. The chairman froze him with a glare and barked: "Shut up, please. This is only here to keep it bloody score."

Novel bedfellows

The stakhanovite labours of Russia's translators continue to reap rewards for that country's heroes.

In Unesco's annual list of the world's most translated authors Lenin once again comes first with 370 translations during the year—well clear of Agatha Christie who is in second place with 216.

Third place goes to Walt Disney, short head in front of the Bible, which still holds the record as the world's most translated single book.

Further down the rankings the French story-teller, Jules Verne, scores well, edging Leonid Brezhnev out of fifth place.

But the real surprise is provided by the English writer of romantic fiction, Barbara Cartland. Her productivity has won her equal seventh place with Karl Marx.

Did ever two writers make stranger bedfellows?

Banker's burden

With Lent starting tomorrow, merchant banker Nicholas Sibley, head of Barclays de Zoete Wedd's international equities team in London, is losing weight as his penance.

On a sponsored slim in aid of the Maggie Sasaki Leukaemia Fund, Sibley, who weighs 181 stone, aims to lose 60 pounds by Easter Sunday. His slim wife, Sally, pleads: "Do support this great cause."

But I must report that rate fixing is going on. In view of the large amount he has to lose, Sibley is calculating Lent as having started on January 12 when he first weighed in.

Observer

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Banker's burden

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Observer

Letters to the Editor

Consequences of a defective voting system

From Mr G. Thiley,

Sir, — Perhaps Malcolm Rutherford (February 27) has got it right. Maybe the Conservatives will get back with a 50 seats — though I dare say he would have wished to have known the Greenwich result before his thoughts on a hung parliament were published. His arguments against introducing proportional representation add up to the old plea of "don't rock the boat." He has a point. How indeed could the House of Lords be left un-

disturbed if there was major voting reform of the Commons. And surely it would not only be the Ulster Unionists who would seek to exact a high price for co-operation — or just seize the opportunity to scatter banana skins. Which surely would cause doubt and uncertainty and not help economic or business confidence.

Somewhere along the line is a flaw. Everything Mr Rutherford says about the political manoeuvring rings true — but that's just it. There is reluctance to go all the way in

accepting the verdict of the people. Better let the politicians get on with their power broking to fudge a two and a bit party system!

The real flaws in the argument is to suggest that FR might be a cure for Britain's ills. How we vote doesn't cure anything. The actions of the representatives we elect are what counts. But the consequences of a defective voting system are as debilitating as a chronic disease. Unless we get rid of the damaging effects of pendulum politics, of exag-

gerated race, class and regional distinctions, we cannot release the vectored energy needed to become a more harmonious as well as a more successful society.

No, Sir, electoral reform is not a cure. It is an essential precondition for real and long-term progress. To strengthen the keel in such a vital way is worth a deal of boat rocking. If a hung parliament achieves it — lets have a hung parliament. Gervase Tinley, 13 Hutchins Way, Horley, Surrey.

Respectability for R & D

From the Chairman, Medicus Products

Sir, — I think that to see R&D capitalised in the balance sheet should be regarded as a plus point when assessing a company's overall strength. Every company should highlight the amount it spends in any year and it should be expressed as a percentage of sales and/or pre-tax profit so that comparison can readily be made with other companies in the same industrial or commercial field. It is, of course, correct that R&D should be written off where any projects have an uncertain future and the hope of amortisation over a reasonable period of time is dubious.

I implore banks to cease from the automatic deduction of capitalised R&D from the assets of a company before assessing its net worth for lending purposes.

I would like to encourage City institutions to pay more attention to the requirement for financing R&D and, in particu-

lar, to expand upon the liaison between academic institutions and industry, and also corporate venturing between small and large companies. May I also put in a special plea to try and ensure that all Britain's inventiveness is retained for the benefit of Great Britain and that we do not export our technology by way of overseas licensing agreements unless it is absolutely necessary because of the political requirements of the interested country. We have seen far too much "export" of technology and technologists at the expense of our over-shrinking manufacturing base but we have to create a climate of opinion among our venture capitalists and the City generally to provide the finance to back our inventors and to pay proper salaries to our technologists, *pari passu* with Government intervention on overseas licensing.

Richard J. Bowling, Westminister Road, Wareham, Dorset.

Priority for shareholders

From Mr R. Ward,

Sir, — It would appear that many people are anxious to sweep under the carpet the details of Rolls-Royce Limited in 1971. Does this explain why the shareholders in the original company are not being offered any priority in the forthcoming offer for sale of the revitalised aero-engine group? The work involved in such a gesture would be minimal — all that

would be required would be the original stock certificates which were returned with an undated letter some ten years after the "sale" of Rolls-Royce Limited to the company. On the other hand such a gesture may spoil the image of haughty insensitivity that has characterised much of the affair.

R. J. Ward, Pleswood, Pleswood Road, Pleswood, Cotterell, Bristol.

The taxpayer pays twice

From Mr G. P. Ledebor,

Sir, — It seems reports concerning the forthcoming privatisation of the tax losses of Rolls-Royce are correct, the cancellation of its debt to the Government and the retention of the tax losses (said to be £50m-£60m), is

surely a case of heads you win for the new incoming shareholders and tails I lose for the poor old taxpayer who will have had to foot the bill on both counts.

G. P. Ledebor, Pleswood, Pleswood Road, Pleswood, Bucks.

Special language skills

From the General Secretary, Institute of Linguists

Sir, — Your special report on language skills in business (Weekend FT, February 21) was cheerfully positive about the change in attitudes to language learning and use. I am glad to see it and I hope that it will contribute to the changes.

The report, however, did less than justice to this institute in implying that its examinations are not designed for people who want to use their languages while working in industrial and commercial companies. This is exactly the sort of practical use that this examinations are

designed for, always have been, and always will be. It is important to keep in mind the range and balance of language skills that are needed by British industry generally, to improve our international trading position. The report puts the proper emphasis on oral skills as a prime necessity. The Institute has always recognised this. The Institute also provides opportunities to obtain language qualifications in the other language skills required of the person who needs these to work in industry and commerce. A. Bell, 54a Highbury Grove, N6.

Volumes of megabit chips

From the Director of Manufacturing and Development, IBM United Kingdom

Sir, — Your February 23 report "Toshiba seeks a bigger European market share with megabit chip" cites its Braunschweig plant, Germany, as the only plant in Europe currently producing a one megabit chip, qualifying it only with the statement that Siemens is "well on the way to the commercial launch of a similar product". To put the record straight,

may I point out that IBM's Sindelfingen technology plant — also in Germany — has been producing one megabit memory chips in volume since October 1985. One megabit chips from Sindelfingen are used in IBM's 3090 large scale computers, in our System/36 small systems and will be shipped in our new departmental 9370 system when deliveries begin later this year. J. B. Holmes, P.O. Box 41, North Harbour, Portsmouth, Hants.

The foreign debt strategy of Mr Funaro

From Mr F. Neto

Sir, — We have all become used to the light-hearted approach to journalism of Mr F. Neto. While his original and entertaining reports should often be praised, his approach may be sometimes his approach may be undermined by the same frivolity which, he claims, usually delights the Brazilian nation — I refer to his article "Crusader on a lifetime" on the mission of Mr Dizon on the current trip of Mr Dizon to the Brazilian Finance Minister to Washington and his major European capitals. As its title implies, this article tends to give too much importance to the "Messianic" nature of the present foreign debt strategy of Mr Funaro, whose "successful battle with cancer of the lymph glands has reinforced in him a sense of being the man chosen by destiny to lead his nation from debt enslavement." This leaves little room for Mr Dawney to deal seriously with the real

issues of the current "Brazilian debt crisis."

Even if Mr Dawney is right to say that Mr Funaro is not a "wheeler-dealer pragmatist" like his predecessors, your correspondent fails to note that being the owner of a major Sao Paulo toy factory and therefore a representative of the classical risk-taking entrepreneur who thrives on profits of productive activities — the Finance Minister is, in theory at least, generally opposed to the type of profit-seeking who thrives on speculative financial operations. Mr Funaro is no radical crusader out to destroy the world financial system, but a realist industrialist who is trying to put across to leading western governments that the commercial lending banks want the best of both worlds. On the one hand they make highly-risky financial deals (with chances of very high returns) with irresponsible military governments during the 1970s; on the other, the

deteriorates in the 1980s, they want to undermine the country's development by insisting on rather usurious and unrealistic repayment terms.

But it would be unfair to put the blame only on previous Brazilian governments and on the commercial banks, for the central banks of the developed countries and supra-national financial agencies both failed to control the dramatic expansion of the international financial system during the last decade (through novelties such as "off-shore markets" and virtually unpayable "roll-over loans"), and therefore to prevent the commercial banks from lending too much to risky borrowers. This explains why Mr Funaro is planning to meet only government officials and the supra-national agencies, for some form of political agreement is urgently required — and one should not here rule out the sharing of the debt burden among different governments, as a last resort.

But Mr James Baker, the US

Treasury Secretary, clearly prefers to take the easy way out of this problem by insisting that the debt question is a matter for Brazil to settle directly with the commercial banks. The latter are also opposed to a country-to-country agreement because they would be relegated to the "second division," and because it might well lead to greater government regulation of their operations. Instead, they prefer to muddle through with yet another IMF recession package that can guarantee punctual interest payments and comfortable margins over money market rates. This, however, is totally opposed by Brazil, primarily for political and social reasons — which is where President Jose Sarney, the new Constituent Assembly and 140m Brazilians come in. Mr Dawney and I may agree on one point: the future of this debt crisis looks rather bleak indeed.

Fred T. Neto, London School of Economics, Houghton Street, WC2.

The 1967 bestseller The American Challenge warned of a European 'technology lag'. Guy de Jonquieres reflects on its lessons

"A country which has to buy most of its electronic equipment abroad will be in a condition of inferiority similar to that of nations in the last century which were incapable of industrialising. If Europe continues to lag behind in electronics, she could cease to be included among the advanced areas of civilisation within a single generation."

This warning was issued not in 1987 but in 1967. It comes from The American Challenge by Jean-Jacques Servan-Schreiber, the instant bestseller which popularised the notion that Western Europe's weakness in high-technology industries could lead to economic stagnation and ultimately the loss of political self-determination.

Now, as then, the longer-term implications of "technology lag" are a source of acute political concern in Western Europe, and for very similar reasons. How much has changed in the past 20 years, and what relevance does the book still have to the problems of today?

The most obvious difference is in the nature of the challenge. Servan-Schreiber, the French intellectual and politician, feared that colonisation by subsidiaries of American multinational companies would rob Europe of its industrial independence and lead inexorably to a permanent US monopoly over advanced technology.

Today, US technological pre-eminence in several key areas, notably semiconductor, looks far less secure and its multinational companies less monolithically invincible. IBM and Boeing still dominate important product sectors but others, such as Chrysler and ITT, have beaten inglorious retreats. Moreover, outside the high-tech sector, Europe has successfully bred its own multinationals able to compete with the best in the world, such as Daimler-Benz in trucks and Electrolux in white goods.

US industrial investment today is more likely to head for the Pacific rim than for Europe, impelled not by hegemonist expansion but by uncompetitive manufacturing capacity at home. Above all, Europe has largely usurped the US as the model of excellence in management methods and organisation which Servan-Schreiber perceived as a key to success in high-technology.

If anything, Europe's unease today stems as much from fear of technological isolation as of industrial invasion. US export controls have aroused concern about the dislocation of vital



Flashback: Jean-Jacques Servan-Schreiber pictured shortly after the publication of his book

Still in the slow lane

transatlantic technology flows while the EEC complains that too few, not too many, Japanese companies are establishing industrial bases in Europe.

Servan-Schreiber believed that the secret of US innovation lay in big business and big government allying themselves to apply big science. This may still be true in the aerospace and defence sectors. But much of America's creative vitality in the past decade has been due to free-wheeling competition between small start-up firms, typically formed by break-away managers from the large companies which the book holds in such awe.

All these developments have conspired to make the challenge much more complex. By contrast, Servan-Schreiber's analysis of the high-technology handicaps which Europe bears still strikes unerringly close to the mark: inadequate technical and management training; immobile labour forces; aversion to risk; insufficient economies of scale; a fragmented industry structure; protected markets; rivalry to subsidise inward investment; lack of a

European company law and narrow national sentiment. Servan-Schreiber argued that the only solution lay in federalism and a revolution in social and political attitudes. Without such a great leap forward, he claimed, attempts at collaboration would always be torpedoed by nationalism.

In fact, trans-national collaboration has succeeded rather better than he expected in two areas, space and civil aviation. Countries which once regarded themselves as jealous rivals have managed to pool their resources to produce independent, internationally credible, contenders in Ariane and Airbus.

However, in Servan-Schreiber's view, the acid test of Europe's future lay in electronics and what is now known as information technology. Here, Europe is still groping for a coherent response. The EEC's Esprit and the wider Suresa initiative have played a catalytic role in sharpening awareness of the global challenge. But it has yet to be proven that intra-European collaboration can form the basis for profitable commercial ven-

tures or that it will make any easier the urgent task of restructuring industries.

The good will which politically-sponsored collaboration engenders tends to evaporate at the first sign that it might entail awkward concessions. Cross-frontier mergers and takeovers which risk giving an industry in one country an advantage over its European neighbours still evoke nationalistic fury, as when CGE of France recently took control of ITT's subsidiaries or when Britain's GEC sought unsuccessfully West Germany's AEG.

However, Europe's most critical challenge may have to do with demand rather than supply. As consumers of micro-chips, computers and telecommunications equipment and services, Europeans lag far behind Americans and are rarely in the forefront of novel applications. The market "pull" so vital to commercial innovation just seems to be less vigorous than on the other side of the Atlantic.

Trade obstacles and differing standards cannot explain all that discrepancy. Nor is reliance on large-scale subsidised investment projects likely to provide very satisfactory solutions. Innovation is still an enigmatic process influenced by a complex array of forces at which a solid research and science base is only one. If Europe is lagging the US and Japan, it is partly because they have understood better the importance of factors such as the rapid diffusion of technology, the encouragement of a risk mentality, the creation of suitably qualified workforces and the stimulus of vigorous competition.

A recent study by The Atlantic Institute concluded: "The technological problems perceived by Western European governments are often not technological in character. Rather, they stem mainly from political, economic or social impediments to innovation, the elimination of which is in the realm of public policy."

Twenty years earlier, Servan-Schreiber wrote: "The American challenge forces us to face all our problems at once, and the least of these are technical. Above all, it is a matter of organising production relations and social relations so that Europeans may fulfil the potential of their abilities... it is a political problem."

Much has changed since Servan-Schreiber issued his self-styled call to action. But in some important respects it is hard to dispel the uncomfortable impression that things have changed faster in the rest of the world than in Western Europe.

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BUILDING TRUCKS • BUILDING REPUTATIONS

John Wyles reports on the quickening pace of two-way investment

Why Italy is forging foreign links

AN APPARENT tidal wave of Italian investment in countries such as France and Britain in the past two or three years has been heralded in the Italian press recently.

The spectacular build-up of Carlo De Benedetti's financial and industrial empire in the US and Europe, Fiat's new international links and the relentless international expansion of Raul Gardini's Ferruzzi have created the impression of an Italian industrial juggernaut devouring foreign companies and markets in a belated search for technology, profit and growth.

Less appreciated abroad has been foreign inward investment, whose vigour prompted political demands 12 months ago for controls - Italy has none - on their size and scope.

The number of employees in Italian manufacturing companies, either partially owned or fully controlled from overseas, leaped by 11 per cent between 1983 and 1985 compared with a mere 5 per cent net growth over the entire 1965-83 period. Overall, the global foreign presence in Italy is double that of Italy's abroad.

Comparable statistics on outward investment cannot be found, but according to a recent study by the National Institute for Foreign Trade, Italy became a net exporter of capital destined for productive activity between 1981 and 1985.

None the less, as the authors point out, this quickening of the pace of two-way investment has not yet altered the fact that foreign participation in Italian manufacturing industry is lower than in any other Western industrialised country, with the exception of Japan. The same is true of Italian manufacturing investment abroad.

This means the country has been spared the social and employment shocks of restructuring by multinationals such as Caterpillar, Massey Ferguson and IIT. But it could also mean that the Italian economy is much more dependent on its own relatively slender financial, techno-



Mr Romano Prodi



Mr Carlo De Benedetti

EXAMPLES OF ITALIAN INVESTMENT ABROAD IN 1986

Company	Value (France, motor components)	Share
Olivetti	Triumph Adler (W German office equipment)	100%
Olivetti	Pelikan (Switzerland, office products)	22.5%
Belloni	Deigel (France, frozen fish distribution)	70%
Ferruzzi	S and W Berksford (UK, sugar manufacturer)	25%
Iveco	Ford (UK truck manufacturing)	majority control
Flat	Altra (France, motor components)	majority control
Modisoleon	Allied Signal (thermoplastic resins)	100%
Italcable	Voico Mail Int. (California)	20%

logical and managerial resources at a time of growing corporate combination and international collaboration.

A sense of urgent need for synergies, technological know-how and economies of scale partly explains why Mr De Benedetti has been vigorously adding French car components and food companies to his Italian activities. For similar reasons, IRI's Italtel and Fiat's Telettra.

The impression that Italian manufacturing investment overseas is dominated by a small group of companies is an accurate one. With an industrial structure dominated by a handful of large groups at one extreme, and a host of highly enterprising, but small, often family run

businesses at the other, there appears to be no medium-sized companies nurturing foreign ambitions.

At the end of 1985, 15 groups comprising 55 companies accounted for 81 per cent of the employment and 82 per cent of the turnover of companies in which Italians have invested. Only 10 groups accounted for virtually all the overseas companies which are controlled by Italian capital.

All the evidence suggests that Italian companies are, by and large, less determined to take a controlling share in their overseas investment than their British or German counterparts. Only 33 per cent of the companies in which Italians have invested directly are controlled from Italy, accounting for 62

per cent of employment and turnover.

Apart from Italy's limited number of companies large enough to operate in anything other than a niche abroad, the study suggests that other factors help to explain this pattern. One is the relatively large size of the public sector which, with the exception of the state oil company, ENI, has been parochial in its activities and ambitions.

Another is the shortage of technologically advanced companies able to exploit their advantages on an international scale. A third is the shortage of management capacity, and a fourth, a lack of supporting services, financial and otherwise.

For much of the post-war period, Italian manufacturing investment abroad was developed on a joint venture basis in developing countries. The presence of large Italian communities favoured Latin America and in particular Brazil, where Italian investments (including a large Fiat operation) employ 21.5 per cent of the total "Italian" overseas workforce, followed by France with 11.3 per cent and Spain with 10.4 per cent.

The pattern has changed recently, with much more investment directed towards Europe and the US. Measuring Italian employment abroad as a proportion of domestic employment reveals that information and office equipment, followed by pharmaceuticals, petroleum and rubber and plastics manufacturing are the most "internationalised" Italian sectors.

The foreign presence in Italy is similarly concentrated with the addition of detergents and cosmetics, chemical products, telecommunications and electrical products. Not surprisingly, Italian investment overseas predominantly originates from companies in the north of the country, which is also the destination of most inward investment.

The study concludes quite bluntly that investment incentives are failing to attract foreign investment to the mezzogiorno, the Italian south.

Daimler output threatened by ban on overtime

By Peter Bruce in Bonn

THE increasingly bitter row between West German employers and IG Metall, the metal workers' union, over working hours reached a new peak in Baden-Württemberg yesterday after union calls to ban all overtime in the state.

Daimler Benz, the Stuttgart-based motor and electronic company, says it is facing a loss of 150 cars a day from next week when the union plans to withdraw approval of overtime shifts.

The first call came last Tuesday from Mr Ernst Klement, the IG Metall leader in Baden-Württemberg, who said cutting overtime was the only way to force employers in metalworking industries in the state to employ more people.

The union branch at Daimler was the first to support the call. Yesterday the workers' leaders were angered by a warning from Daimler, the biggest employer in the state, that an overtime stoppage would put 1,200 people out of work.

At IG Metall headquarters in Stuttgart, officials claimed that union branches at all major corporations in the state were supporting the overtime ban. Companies affected would include Daimler Benz, Porsche, Zahnradfabrik Friedrichshafen (ZF), the gear manufacturer and Suhl, the chain saw producer.

The works council at Daimler's main car works outside Stuttgart said that the axle works at Messingen/Esslingen would be hard hit by an overtime ban. Daimler warned that a ban would force different parts of the concern to wait for long periods for parts "and would lead to the opposite of what IG Metall wants to achieve."

The employers claimed that the overtime ban call was part of IG Metall's strategy to force employers into submitting to a cut in the working week from an average of 38.5 hours to 35 hours. A seven-week strike by the union in the summer of 1984 closed down the entire West German car industry and led to a 1.5 hour cut in the working week.

IG Metall, currently in nationwide negotiations with employers over pay and hours, claims to have created 100,000 jobs in the industry through the hours cut. Employees say the figure is closer to 20,000.

The union had already planned a series of "warning strikes" - brief factory walkouts - to accompany its national negotiations, which are due to begin in the next few weeks.

Miners seek 55% pay rise

Continued from Page 1

acceptable systems of accommodating all miners irrespective of national origin on a family basis.

The union is also demanding that management negotiates mine mechanisation plans with NUM officials before their implementation. At present it is involved in a dispute with the ICI-owned Western Areas Mine over plans to retrench 4,000 miners due to mechanisation.

At the same time the union has placed a ban on compulsory overtime and demands that more unemployed workers should be employed instead.

As part of its campaign for increased safety measures, the union is stepping up its demand for the Government Mining Engineer to institute an official inquiry into the Kinross mine disaster in which 177 miners died.

It hinted at strike action if the demand was not met and the company was merely allowed to plead guilty in a criminal negligence case punishable by a fine.

In addition to a long list of political demands, including the end of apartheid and the state of emergency, the union also called on management to stop deducting income tax on grounds that taxation without representation was an abuse of human rights.

THE LEX COLUMN

Dutch treat in a gas bottle

If SHV's aim in its partial offer for IC Gas was to appear as unlike the Barclay brothers as it could, it has succeeded. Instead of a highly geared offer from a recently formed company there is available about half the £500m cash accumulated by a private company with roots going back to the 18th century.

Indeed it is difficult to imagine an offer of the style of SHV's being made by a publicly owned company, rather than one controlled by one family.

SHV seems content to tie up about £270m in an investment which, at its implied valuation of 3.7 per cent, and just in case anyone also comes in with a higher bid, SHV insists on not taking a paper profit but guarantees either to counterbid or pass the premium on to those who have already accepted the SHV tender price of 70p.

Yet despite the carefully cultivated image of a dignified old company which moves in its own sweet time, SHV has swooped on the first business day after the publication of the IC Gas reconstruction document, that must have been through fear that a hostile bid - this time for the demerged Calor Group - was imminent.

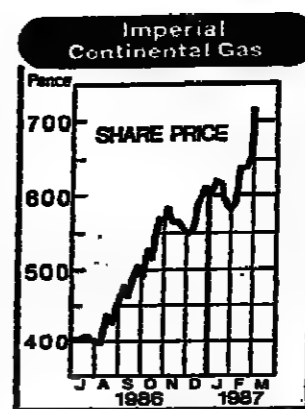
Perhaps the Barclay twins were ready for another campaign, but realisation of part of the paper profit of over £40m attributable to Gulf Resources' stake must have compelling attractions to them.

Apart from SHV's aspirations to become an even bigger bottle of gas, the merits of combination with Calor are none too clear. It is not as if either group has trouble in laying hands on a raw material in chronic over-supply.

Not that it is certain that SHV, unprovoked, will mount a full bid. It has for some years contentedly sat on a 30 per cent stake in Primagas of France. Yesterday's closing IC Gas price of 71p (up 61p) may be saying that 14p is the market price of an option on the premium that may ultimately be paid for control of Calor.

Australian rules

Regulation of securities markets is supposed to be an activity where the costs and benefits add up to a net gain for the mass of participants. But a lot of the time the



growing tamely at a fast-moving market. However, the Government's response to these grumblings was a ministerial rebuke for the NCSC's ineffectiveness.

It may be that the need to win some street credibility has merely led the NCSC to identify a target - the rather congealed Humes affair - that was moving slowly enough to be hit. Success will surely encourage the NCSC to be more aggressive, but it is an open issue whether it can deal as effectively with those corporate raiders who shoot first and answer questions later.

Exco/RMJ

Exco's determination to join its fellow money brokers into the US government bond market, which survived the takeover by British & Commonwealth, has finally come to something with the purchase of RMJ. But at what price? Apparently last time RMJ changed hands in September 1985, Exco offered \$82m for it and was turned down in favour of a reportedly lower offer. Now the price is \$78m for 80 per cent, putting a value on the whole of \$97.5m.

Between the two dates, inter-dealer brokers in the US market have had their difficulties, to say the least. The primary dealers, the IDE's only customers, cleverly engineered a halving of commission rates by setting up their own IDE, Liberty Brokerage. The brokers, having coped with the rapid growth in the market without having to add much to fixed costs, suddenly found their profits draining away.

Although further rises in volume and an increase in the brokers' share of the market have compensated to some extent, it takes an elastic imagination to describe these earnings as high quality. Exco's own remark that it is paying about 8 times historic pre-tax profits for RMJ suggests a higher rating than similar companies traded on in the secondary market.

That may not turn out to be a high price, though, if the US Treasury market carries on growing in London and Tokyo as well as New York. Certainly the US budget deficit is not going to disappear, and much of it will have to be financed abroad. And if nothing else, the newly-licensed primary dealers will have to justify themselves by dealing like dealers.

But the day belongs to the victor. Snubbed by Elders and BHP, run rings round by News Corporation and outgunned in the courts by almost everyone, the NCSC has been reduced more often than not to

£ rises strongly as hopes grow of cut in UK interest rates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

EXPECTATIONS in London's financial markets of a cut in UK interest rates about the time of the UK budget on March 17 were reinforced yesterday by a strong rise in the value of the pound to its highest level since last September.

The Bank of England indicated, however, that it would not be pushed by the markets into an immediate cut in borrowing costs. It forced London's discount houses to borrow cash for the next seven days at above market rates.

The move was seen as a signal that the Bank would prefer a cut in base rates to come after the budget, although some economists believe there might still be a ½ point reduction before March 17 with a similar cut afterwards.

Mr Nigel Lawson, the British Chancellor of the Exchequer, is

thought to want a one point fall before the summer in order to secure a cut in the cost of home loans. That would put downward pressure on inflation at a time when other prices are likely to be rising fairly strongly.

At last month's meeting of finance ministers of the leading industrial nations, Mr Lawson indicated he had set a ceiling for sterling's value in order to preserve the competitive gains flowing from last year's devaluation.

A reduction in the target for next year's public sector borrowing requirement could provide the trigger for lower interest rates in the UK, which would then be presented as an endorsement by financial markets of the Government's policies. Economic observers believe Mr Lawson will have room to lower the

target by between £2bn (\$3.13bn) and £5bn and still have scope for £3bn of tax cuts.

Yesterday, the Bank confirmed a sharp slowdown in the annual growth rate of the narrow money supply measure, M0, in January to 4.1 per cent - at the centre of its 2 to 6 per cent target range. Although the deceleration was due partly to exceptional factors, it none the less contributed to optimism over the outlook for interest rates.

On the foreign exchange markets, sterling's gains were attributed to a better performance for Prime Minister Thatcher's Conservative Party in the opinion polls, and expectations of a popular Budget.

The pound finished in London yesterday at \$1.564, up 18 cents on Friday's close.

Exco to buy US bond broker

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

EXCO, the UK foreign exchange and securities broker, has agreed to buy RMJ, one of the largest brokers in the US Treasury bond market. The deal will increase British dominance of the US Treasury bond broking business.

Exco will pay \$79m for an 80 per cent interest in RMJ, which is owned by the Bank of New York. The remaining 20 per cent will be shared between the Bank of New York and RMJ executives. Over a six-year period, Exco will buy out the minority at a price determined by RMJ's profitability.

The deal marks the first major acquisition by Exco since it was taken over at the end of last year by British & Commonwealth, the shipping and financial services com-

pany run by Mr John Gunn, who founded Exco in the 1970s. It will be financed from the substantial cash resources B&C acquired with Exco. Completion is expected by the end of May.

Details of RMJ's profits were not available yesterday, but Mr Peter Cockie, managing director of B&C, said he expected the company to increase B&C's earnings per share by 5 to 10 per cent.

Mr Richard Lacy, Exco's chairman, said the deal would provide "the missing link" in Exco's plan to have a securities broking capability in leading financial centres, in addition to its foreign exchange broking business. Exco has a presence in Tokyo and RMJ recently received the approval of the Japanese au-

thorities to open a Tokyo office. Mr Lacy said that the businesses would continue to operate separately.

RMJ claims to have about 30 to 35 per cent of the US Treasury bond broking market. It also handles securities issued by federal agencies, including federally-backed mortgage securities. The acquisition includes RMJ's 70 per cent interest in a software house specialising in the financial services industry.

The acquisition means that three of the four leading US Treasury bond brokers will be British owned. Mercantile House owns FBI, and Mills & Allen owns Garban. The fourth, Cantor Fitzgerald, remains independent. In addition, ICH owns a minority stake in a smaller US Government broker, MKI.

Moscow suggests N-arms timetable

Continued from Page 1

ces and shorter-range nuclear weapons.

The reaction from Britain to Mr Gorbachev's offer was in striking contrast to that from Paris. Mrs Thatcher, the Prime Minister, said it was "a good step forward". Sir Geoffrey Howe, the foreign secretary, said that an agreement on INF "could transform for the better the whole atmosphere in which arms control talks and relations between East and West are conducted."

While also stressing the need for effective verification procedures and an agreement on shorter-range nuclear weapons in Europe, Sir Geoffrey said that Britain could only welcome a proposal which was based on the "zero option" which

Nato had first put forward in 1981.

Sir Geoffrey was particularly satisfied by the fact that Mr Gorbachev's statement had not referred to the inclusion of the British and French nuclear deterrents in an arms control agreement between the US and the Soviet Union. Britain and France have always insisted that the Americans and Russians must first of all reach an agreement on a substantial reduction in their own nuclear arsenals before British and French nuclear weapons become part of the negotiations.

In Moscow, Marshal Sergei Akhromeyev, the Soviet Armed Services Chief of Staff, confirmed that the proposed INF deal would not in-

volve British and French nuclear forces.

Mr Alexander Bessmertnykh, a deputy foreign minister, made it clear that Moscow expected a positive gesture from the US on the whole complex of arms control issues in return for Mr Gorbachev's offer on INF.

"We proceed from the viewpoint that the important new initiative will motivate the US to take reciprocal steps on the whole question of nuclear and space weapons," he said.

Mr Bessmertnykh confirmed that Washington and Moscow were discussing the arrangement of a visit by Mr George Shultz, the US Secretary of State.

World Weather

Area	Temp	Wind	Cloud	Area	Temp	Wind	Cloud
Algeria	18	10	10	Madrid	17	10	10
Algiers	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10
Algeria	18	10	10	Madrid	17	10	10

Summary of world day weather

C-Cloudy B-Breaks F-Fog T-Thunder

مكازم الأصيل

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday March 3 1987

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La Redoute sells loss making unit

BY GEORGE GRAHAM IN PARIS

LA REDOUTE, the leading French mail order house, has sold its loss-making maternity and babywear operation, Premaman, to FC Diffusion, a private company with a chain of women's clothes shops. Premaman will stay in the family, however. Mr Francis-Charles Pollet, FC Diffusion founder, is a member of the Pollet family which controls La Redoute. Mr Pollet left the La Redoute board only recently to make way for Mr Jean-Jacques Delort, president of the French retail group which has taken a 15 per cent stake in the mail order house. The acquisition of the Premaman group - which also includes the Prenatal, Balloon, Tili and Julie-Ambré brands - will triple the turnover of FC Diffusion, whose main activity is the Promod chain of middle range women's clothing. The Premaman group has 350 shops in France - 150 of them franchises - and employs around 1,500. It lost FF 5.6m (\$800,000) last year on sales of FF 800m and is expected to stay in loss this year. Mr Patrick Pollet, La Redoute chairman, said yesterday it had become clear that it would not be enough to "fine up the cracks" but that a thorough reorganisation would be necessary. The group had therefore decided late last year to look for other solutions. Premaman has been squeezed in the French market by the competition of the hypermarkets on one side and of the very specialised maternity boutiques on the other. La Redoute bought Premaman in 1972 in an effort to diversify away from its mail order base and added the Prenatal chain in 1974. The group will, however, keep its maternity and babywear operations in Italy, Spain and West Germany, which are profitable. No price was given for the purchase of Premaman by FC Diffusion, but Mr Patrick Pollet said the agreement would result in a "significant" capital gain for La Redoute, amounting to several tens of millions of francs. La Redoute's share price went through a turbulent patch last month on the Paris Stock Exchange amid speculation of a hostile takeover bid.

CCF to raise cash for Nobel subsidiary

By Our Paris Staff

CREDIT Commercial de France, the French banking group due to be privatised in the next few months, is to raise FF 800m (\$142m) in new capital for its portfolio investment subsidiary, Nobel. The operation is intended to reduce CCF's stake in Nobel from 94 per cent to about 50 per cent. More international company news on Pages 24-26, 39

Brown, Boveri to cancel dividend and seek funds

BY WILLIAM DULLFORCE IN GENEVA

BROWN, BOVERI, the Swiss-based electrical engineering group which is digesting a management reorganisation, plans to pass the dividend for the second year running and to seek new share capital. Parent company net earnings last year dropped by 74 per cent to SF 7.5m in 1985. Sales fell by 10 per cent to SF 2.25bn last year. Provisional estimates put 1986 consolidated sales at SF 13.8bn, almost exactly the same as the previous year, but group net profit - to be announced in May - has declined from 1985's SF 109m. Sales figures for both years have been boosted by the completion of nuclear power contracts in West Germany. Consolidated cash flow remained steady at SF 630m and included higher depreciation. Parent company reserves were formed or increased to cover the cost of the ongoing reorganisation and to hedge against foreign exchange risks, a communiqué from the group's Baden headquarters said yesterday. The communiqué foresees an increase of about 10 per cent in share capital to SF 483m. The board intends to use new bearer and registered shares to secure option rights attached to a bond issue of around SF 150m to be floated after the annual general meeting in May. The group also plans a new issue of participation certificates with a par value of SF 70m. Dr Fritz Leutwiler, the former president of the Swiss National Bank, who took over as chairman in 1985, has already said the improvements from Brown, Boveri's reorganisation will not be felt until 1987. The level of new orders received in 1986 suggests that a substantial improvement in cost controls and productivity is needed, for his forecast to prove correct. Consolidated new orders, at SF 11bn, were 15 per cent lower than 1985 volumes. The decline was influenced by monetary factors as well as "partly unsatisfactory market conditions," the group said. New orders to the parent company were down 15 per cent to SF 2.2bn.



Fritz Leutwiler, chairman: expects improvement in longer term

Rhône Poulenc plans US share sale

By Paul Betts in Paris

RHÔNE-POULENC, the nationalised French chemicals group, is to place 20 per cent of its FF 2.5bn issue of new non-voting shares or certificates d'investissement privilégié (CIP) on the US financial markets. It is only the second time that a French group has decided to issue part of a new equity offering directly on the US market. Louis Vuitton, the luxury luggage and leather goods manufacturer, was the first French company to issue shares simultaneously in Paris and on the over-the-counter New York market. Mr Jean-René Fourtou, Rhône-Poulenc chairman who announced yesterday the one-for-five new non-voting share issue, said he intended to campaign vigorously for the groups early privatisation. French nationalised groups are entitled to raise fresh equity funds through devices like preferred investment certificates or non-voting shares although they can only do so up to 25 per cent of their outstanding capital. Its latest issue involves 8.06m shares, which will raise FF 2.5bn and take Rhône-Poulenc to this limit. Mr Fourtou said that, while the company's cash flow was expected to continue to increase and that its annual consolidated net earnings should remain above FF 2bn, the group required additional funds to finance its long-term investments, research and acquisition programmes as well as consolidating its balance sheet. Despite a more difficult environment due to the decline in the value of the dollar, the group is expected to report net earnings of FF 2bn or more for 1986, Mr Fourtou indicated yesterday. The group reported net earnings of FF 2.1bn in 1985.

Viacom battle heats up

BY OUR FINANCIAL STAFF

THE \$30m bidding battle for Viacom International, the diversified US media group, intensified yesterday when the group received revised merger offers from National Amusements and MCV Holdings, the two rival suitors. Viacom said National Amusements' Amuseco Holdings raised the value of its offer for the Viacom shares not held by National Amusements, in three respects. National Amusements, a theatre chain, already holds 19.8 per cent of Viacom's stock. The cash value of the offer was raised to \$42 from the \$40.50 offered for each Viacom share on February 23 while the value of the fraction of a share of exchangeable preferred being offered was increased to \$7.50 a share from \$6. The interest rate to be used to increase the cash value of the merger, it delayed beyond April 30, was raised to 8 per cent from 6 per cent and 12 per cent after May 31. MCV Holdings, a group which includes Viacom's senior management and the Equitable Life Assurance Society of the US, raised its offer by increasing the value of the preferred being offered to \$8.50 from \$6 a share. Mr Michel Polakowski, chairman of Nobel and CCF managing director, said Nobel's net assets after a revaluation were just over FF 400m. The capital increase and bond issue would take the figure to FF 840m, and the exercise of the warrants should eventually bring it to FF 2.2bn. CCF restructured Nobel at the end of last year to turn it into its portfolio investment company and passed over to it some of its own holdings, such as its 3.3 per cent stake in the Canal Plus television chain. Nobel plans to take stakes in quoted companies worth between FF 100m and FF 1.5bn, as well as undertaking short-term arbitrage operations. American Express shares advanced strongly yesterday for the second trading day running on expectations of a partial sale of Shearson Lehman Brothers, the big US brokerage house which is a wholly owned subsidiary of American Express. By lunchtime yesterday American Express shares had risen to 57½, more than 10 per cent above their closing level on Thursday. Investors were almost unanimous in their enthusiasm for the idea of distancing American Express's profitable and stable credit card businesses from the volatility of the US securities industry, in which Shearson is the third-biggest player after Merrill Lynch and Salomon Brothers. American Express made only a guarded comment on Sunday night, confirming that it was considering various options which would involve "expanding Shearson's capacity to meet international competition" and "broadening further its access to capital." However, most analysts interpreted this as a definite indication that American Express was well advanced with plans to sell a part of Shearson's equity, either through a stockmarket flotation or through a deal with a financial institution in Japan or possibly Europe. The whole of Shearson would be worth between \$3.2bn and \$3.5bn at current market valuations, and a minority stake would probably be priced proportionally, according to Mr Perrin Long of Lipper Analytical Services. Although Shearson's earnings of \$316m last year accounted for only 25 per cent of the American Express total, the company's price earnings ratio stood at 14, well below the 18 or 20 average for large capitalisation stocks on Wall Street. The great bulk of American Express's earnings still comes from credit cards, travel, merchandising and other related services, a far less risky business than securities trading. Mr Gerald Lewinsohn of Merrill Lynch calculated yesterday that American Express shares could be worth up to \$100 if market perceptions could be altered and each of its components businesses were valued in line with its contribution to the company's total earnings. A second argument for disposal is that Shearson could need large capital infusions in the coming years to further its international ambitions. A partner, particularly one from Japan, might be more willing to invest in Shearson than American Express.

CREDIT CARD GROUP EXPECTED TO DISTANCE ITSELF FROM SHEARSON LEHMAN

Sale hopes buoy American Express

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN EXPRESS shares advanced strongly yesterday for the second trading day running on expectations of a partial sale of Shearson Lehman Brothers, the big US brokerage house which is a wholly owned subsidiary of American Express. By lunchtime yesterday American Express shares had risen to 57½, more than 10 per cent above their closing level on Thursday. Investors were almost unanimous in their enthusiasm for the idea of distancing American Express's profitable and stable credit card businesses from the volatility of the US securities industry, in which Shearson is the third-biggest player after Merrill Lynch and Salomon Brothers. American Express made only a guarded comment on Sunday night, confirming that it was considering various options which would involve "expanding Shearson's capacity to meet international competition" and "broadening further its access to capital." However, most analysts interpreted this as a definite indication that American Express was well advanced with plans to sell a part of Shearson's equity, either through a stockmarket flotation or through a deal with a financial institution in Japan or possibly Europe. The whole of Shearson would be worth between \$3.2bn and \$3.5bn at current market valuations, and a minority stake would probably be priced proportionally, according to Mr Perrin Long of Lipper Analytical Services. Although Shearson's earnings of \$316m last year accounted for only 25 per cent of the American Express total, the company's price earnings ratio stood at 14, well below the 18 or 20 average for large capitalisation stocks on Wall Street. The great bulk of American Express's earnings still comes from credit cards, travel, merchandising and other related services, a far less risky business than securities trading. Mr Gerald Lewinsohn of Merrill Lynch calculated yesterday that American Express shares could be worth up to \$100 if market perceptions could be altered and each of its components businesses were valued in line with its contribution to the company's total earnings. A second argument for disposal is that Shearson could need large capital infusions in the coming years to further its international ambitions. A partner, particularly one from Japan, might be more willing to invest in Shearson than American Express.

However, there are many reasons why a partial disposal might be attractive. The American Express stock price has moved disappointingly in recent years in relation to the strong growth in its earnings, and many analysts have attributed this under-performance to the market's unfavourable perception of the brokerage stocks. And while Shearson has made considerable efforts to move away from its traditional retail base into institutional business, this too has recently lost favour among investors as costs have soared while insider trading scandals have slashed corporate finance fees and threatened the whole industry with costly lawsuits. Selling the whole of Shearson is considered almost out of the question, partly because American Express would have difficulty in finding an equally profitable home for the proceeds.

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All of these securities having been sold, this announcement appears as a matter of record.



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Representing

166,636,500 Ordinary Shares

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March, 1987

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of all of the Notes by the Issuer

NOTICE IS HEREBY GIVEN to the holders of the Notes that, in accordance with Condition 6 (b) of the Notes, the Issuer will redeem all of the Notes then outstanding on the next interest payment date falling on 9th April, 1987 (the "Redemption Date"). The Notes will be redeemed at their principal amount plus interest accrued to the Redemption Date. Interest will cease to accrue on the said Notes as from 9th April, 1987.

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Fiscal Agent

3rd March, 1987

Noranda returns to the black

BY BERNARD SIMON IN TORONTO

NORANDA, the Canadian resources group, returned to the black last year with net earnings to common shareholders of C\$2.6m (US\$1.9m), or 2 cents a share, following a C\$290.8m, or C\$2.33 a share, loss in 1985.

The figures include a C\$26.8m extraordinary gain in 1986 and one-off losses of C\$163.2m the previous year. Revenues rose from C\$3.48bn to C\$3.55bn.

Labour disruptions at several metallurgical, mining and forestry operations cut after-tax earnings by C\$69m last year, of which C\$40m was incurred in the final quarter. The company suffered a net fourth-

quarter loss of C\$19.8m, down from C\$208.8m in 1985.

Forest products were the strongest performer last year, with earnings climbing from C\$23.7m to C\$115.4m. Noranda controls MacMillan Bloedel, the big west coast lumber and paper producer. The new Hemlo Gold Mine in Western Ontario also made a significant contribution to earnings.

On the other hand, prices and volumes of natural gas declined, and Canadian markets for manufactured copper products were sluggish.

Noranda said that earnings this year were likely to be the highest since 1980, despite the impact of a

strike at the Horne Copper Smelter in Quebec.

Debt has been reduced by C\$973m since mid-1985 thanks to asset disposals and new equity financing. Further, C\$297m was raised last month from the sale of part of its interest in the Hemlo Mine.

Interest payments dropped from C\$244.8m in 1985 to C\$206.5m last year.

● Rio Algom, Canadian arm of Rio Tinto-Zinc of the UK, reported a marginal increase in operating net profits from C\$81.3m, or C\$2 a share, to C\$89.9m, or C\$2.04.

However, the 1986 figures ex-

clude a C\$19.7m write off on the investment in the East Kemptville tin project which reduced final net earnings to C\$70.2m, or C\$1.58.

Revenues rose from C\$1.23bn. The company said uranium operations had made the largest contribution to 1986 profits, followed by 68.1 per cent-owned Lormex Mining.

The company's steel manufacturing business returned to profit, largely due to improved performance by the Atlas stainless steels division. However, the loss reported by 87.8 per cent-owned Potash of America was mainly due to low selling prices and low demand for potash fertiliser.

Mexico extends debt-swap scheme

BY DAVID GARDNER IN MEXICO CITY

MEXICAN industrialists will be allowed to buy public-sector foreign debt and convert it at a discount into peso investments, in an extension of the debt-for-equity swap scheme until now reserved for foreign investors.

The new provision is contained in a law which the Mexican Finance Minister, Mr Gustavo Petricoli, sent last week to the country's international bank creditors, urging them to complete the \$7.7bn new finance facility, agreed in principle

last September, by March 20.

Under the existing scheme, introduced last April, foreign companies have turned \$620m of Mexican foreign debt into equity, and a further \$700m is being processed. For 1987, the Finance Ministry set a limit of \$100m a month on these swaps.

Mr Luis Foncecerra, Director of Foreign Credit, confirmed in January. In a typical deal, a foreign company might buy sovereign debt from one of the creditors of Mexico's \$100bn foreign owings at 80 cents

on the dollar. This would be redeemed with the Mexican Treasury at 90 cents on the dollar but received in pesos for local capital investment.

Restrictions on the volume of these transactions have been motivated primarily by Mexican concern that a sudden flood of cheap investment pesos might lead to an inflationary surge in the money supply.

A second concern has been to judge whether Mexico is not only

subsidising the foreign investment, but forgoing the dollar inflow which would come if the capital arrived in the normal way.

However, Mr Petricoli said in his letter that extensions of the scheme "could prove useful in promoting the repatriation of financial assets held abroad by Mexican residents."

Mexican businessmen and individuals are estimated to hold more than \$30bn abroad, and the Government has been coining some of this back through a variety of policies

Apple launches new Macintosh model

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER yesterday announced two new high-performance versions of its Macintosh personal computers in an effort to expand sales to business and scientific users.

The "second generation" Macintosh II, priced at \$5,000-\$10,000 is one of the most powerful personal computers available, according to industry analysts.

A 32-bit microprocessor and proprietary chip designs make the Macintosh II four times faster than current versions of the computer and comparable in performance with computer workstations selling for around \$30,000.

The Macintosh II is larger than the original and features high-resolution colour graphics suitable for computer-aided design applications.

In a significant change of design strategy, Apple has "opened up" the new versions of Macintosh to allow the addition of extra circuit boards for special applications.

Several add-on boards, including some that enable the Macintosh to run programs designed for IBM personal computers, were an-

nounced by US personal computer equipment companies simultaneously with the Apple product launch.

The Macintosh II takes Apple into the engineering workstation market - one of the computer business's fastest growth sectors, currently expanding at about 70 per cent a year.

However, Apple has still to prove itself in this market and must gain the critical support of software developers.

The company is to begin shipments of the Macintosh II in May but does not expect it to become a significant revenue generator until 1988.

Apple also introduced an enhanced version of the compact Macintosh. The Macintosh SE will have two disk drives built in, instead of one. Options include a 20-megabyte hard drive. Prices of the SE range from \$2,900 to about \$4,000.

The SE is available immediately and is "the most important product" for Apple this year, said Mr John Sculley, chairman.

Nobel Industries sells Swedish Match option

BY SARA WEBB IN STOCKHOLM

NOBEL INDUSTRIES, the Swedish chemicals and armaments group controlled by financier Mr Erik Fensler, has agreed to transfer its option in Swedish Match to two Wallenberg-controlled investment companies.

The deal is worth SEK 440m (\$68.7m) and means that Wallenberg companies now control 84 per cent of the votes and 30 per cent of the share capital in Swedish Match, the world's leading match producer, with business interests in consumer products, flooring materials, kitchen cabinets, packaging and chemicals.

In September, Nobel Industries acquired an option to buy a stake in Swedish Match from Cusins, the Swedish investment company, for SEK 354m. This would have given Nobel Industries control of 33 per cent of the votes and 10 per cent of the share capital.

That option was due to be exer-

cised by the end of February, and it was thought that Nobel Industries would eventually try to get full control of Swedish Match or else acquire the group's bleaching chemicals subsidiary with which it has some synergy.

Instead, the two Wallenberg investment companies, Investor and Providentia, decided to strengthen their hold on Swedish Match. They are paying SEK 70m to Nobel Industries and SEK 370m to Cusins for the option which has now been exercised.

Analysts were surprised that Mr Fensler - normally regarded as a long-term strategist - should relinquish his hold on Swedish Match so soon after acquiring the option.

Shareholders and employees were thought to be unhappy about a change in ownership structure which would give Nobel Industries a controlling stake in the group.

Assubel plans sell-off

BY TIM DICKSON IN BRUSSELS

ASSUBEL Group, Belgium's third-largest insurance company, plans to sell 20 per cent of the shares of Assubel-Vie to the public on the Brussels bourse. The company has applied to the relevant authorities and expects the operation to take place "at the end of the first half" of the current year.

Insurance shares were among the best performers on the Brussels Stock Exchange last year with foreign buyers showing particular interest. At present there are four publicly quoted companies - Royale Belge Assurances Generales (AG), Drouot and Urbaine UAP. The last two are both Belgian subsidiaries of French companies. Urbaine only

came to the market in December. Most of the shares in the sector are tightly held - a factor which has contributed to the recent re-rating. Since the middle of last year, for example, AG has risen from BFR 5,300 to its present level of about BFR 5,300, and most of the companies boast price/earnings ratios of more than 20, compared with 15 previously.

Assubel's said that the share offer would help to simplify its structure, which is complicated by a cross-holding between Assubel-Vie and Assubel-Accidents et Domages. It said that a total of 348,000 shares would be involved in the stock market exercise.

Hochtief profits slide

BY ANDREW FISHER IN FRANKFURT

HOCHTIEF, the West German construction company in which more shares may be floated off to the public later this year, yesterday reported a drop in its profits for 1986 but said it would be paying "a good dividend."

The group was also fairly guarded about the 1987 outlook and said domestic business was likely to be less buoyant than widely fore-

cast. With export growth weakened by the surge in the D-Mark, industry would be less inclined to invest at home.

Abroad, where business has been difficult for some years, Hochtief saw no chance of a sustained improvement.

Hochtief said building prices last year had shown no marked rise in Germany.

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March 3, 1987, London
By: Citibank, N.A. (Citi Dept.), Agent Bank

CITIBANK

March 3 1987

Financial Times Tuesday March 3 1987

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Eurosterling issues follow sudden climb in pound

BY STEPHEN FIDLER

THE STRENGTH of the UK financial markets yesterday spurred two new sterling Eurobonds, while the Eurodollar sector was quietly firm.

In the sterling sector, Samuel Montagu led a \$500m issue for Commercial Bank of London, priced at 101 1/2 with a coupon of 8 1/2 per cent. The five-year bonds were priced in line with five-year UK gilts to yield about 9.5 per cent.

Many syndicate managers felt some premium on gilts would have been justified, for there appeared little incentive for sterling-based investors to get involved with German bank risk when they could lend to the British government at the same yield.

But there were expectations that West German investors, who have been showing interest in sterling, would provide support.

The Bank of England, however, seemed anxious not to let the UK market rise too sharply ahead of the March 17 budget. In a move that Montagu might be excused for thinking ill-timed, the Bank launched a \$1bn tap issue, which sent the hitherto buoyant gilt market into temporary retreat.

The Commerbank issue was indicated outside its total 1 1/2 per cent fee commissions.

A \$100m convertible for Tesco, the British food stores group, was, in contrast, indicated at a fairly healthy premium, aided in part by a continuing rally on the London Stock Exchange.

Lead manager Credit Suisse First Boston said about 80 per cent of the issue had been placed, although a shortage in Switzerland, leaving a shortage to fulfil domestic demand in London. With a low 6 to 10 per cent conversion premium, the par-priced issue, with an indicated coupon of 4 to 4 1/2 per

cent, seems designed to place equity in new hands in Europe. With a final maturity of 2002, there is an investor put option after five years to be priced to give an annual yield to put of 8 1/2 to 9 per cent.

The Euroyen market was also healthy enough to encourage two new borrowers.

Caisse d'Alais, L'Equipement des Collectivités Locales, a prime-rated French state organisation which finances public works for local and regional

authorities, launched a ¥12bn, seven-year issue with a coupon of 5 1/2 per cent, priced at 102.

Lead manager was Mitsubishi Trust International.

Caisse Centrale Desjardins de Quebec, a financial institution based in Montreal, launched a ¥10bn issue. The five-year bond carries a coupon of 1 per cent for the first two years, rising to 7 1/2 per cent for the remainder. It was priced at 101 1/2. Lead manager S. G. Warburg said the issue had been substantially placed.

In the Euro, Banque Paribas Capital Markets led a \$500m, three-year issue for Merrill Lynch. It carried a coupon of 4 per cent, priced at 101 1/2. It traded within fees.

The Eurodollar bond market ended slightly firmer on the day, following US markets higher.

A new one issue in this sector was for Fiat Finance and Trade, guaranteed by the Italian motor and engineering group, through Morgan Stanley International. The \$100m, four-year bond was priced at 101 1/2 with

INTERNATIONAL BONDS

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR									
Issuer	Face	Term	Yield	Price	Change	Yield	Price	Change	Yield
Alcoa 7 1/2	100	10/81-10/86	7 1/2	101 1/2	+	7 1/2	101 1/2	+	7 1/2
Alcoa 8 1/2	100	10/81-10/86	8 1/2	101 1/2	+	8 1/2	101 1/2	+	8 1/2
Alcoa 9 1/2	100	10/81-10/86	9 1/2	101 1/2	+	9 1/2	101 1/2	+	9 1/2
Alcoa 10 1/2	100	10/81-10/86	10 1/2	101 1/2	+	10 1/2	101 1/2	+	10 1/2
Alcoa 11 1/2	100	10/81-10/86	11 1/2	101 1/2	+	11 1/2	101 1/2	+	11 1/2
Alcoa 12 1/2	100	10/81-10/86	12 1/2	101 1/2	+	12 1/2	101 1/2	+	12 1/2
Alcoa 13 1/2	100	10/81-10/86	13 1/2	101 1/2	+	13 1/2	101 1/2	+	13 1/2
Alcoa 14 1/2	100	10/81-10/86	14 1/2	101 1/2	+	14 1/2	101 1/2	+	14 1/2
Alcoa 15 1/2	100	10/81-10/86	15 1/2	101 1/2	+	15 1/2	101 1/2	+	15 1/2
Alcoa 16 1/2	100	10/81-10/86	16 1/2	101 1/2	+	16 1/2	101 1/2	+	16 1/2
Alcoa 17 1/2	100	10/81-10/86	17 1/2	101 1/2	+	17 1/2	101 1/2	+	17 1/2
Alcoa 18 1/2	100	10/81-10/86	18 1/2	101 1/2	+	18 1/2	101 1/2	+	18 1/2
Alcoa 19 1/2	100	10/81-10/86	19 1/2	101 1/2	+	19 1/2	101 1/2	+	19 1/2
Alcoa 20 1/2	100	10/81-10/86	20 1/2	101 1/2	+	20 1/2	101 1/2	+	20 1/2
Alcoa 21 1/2	100	10/81-10/86	21 1/2	101 1/2	+	21 1/2	101 1/2	+	21 1/2
Alcoa 22 1/2	100	10/81-10/86	22 1/2	101 1/2	+	22 1/2	101 1/2	+	22 1/2
Alcoa 23 1/2	100	10/81-10/86	23 1/2	101 1/2	+	23 1/2	101 1/2	+	23 1/2
Alcoa 24 1/2	100	10/81-10/86	24 1/2	101 1/2	+	24 1/2	101 1/2	+	24 1/2
Alcoa 25 1/2	100	10/81-10/86	25 1/2	101 1/2	+	25 1/2	101 1/2	+	25 1/2
Alcoa 26 1/2	100	10/81-10/86	26 1/2	101 1/2	+	26 1/2	101 1/2	+	26 1/2
Alcoa 27 1/2	100	10/81-10/86	27 1/2	101 1/2	+	27 1/2	101 1/2	+	27 1/2
Alcoa 28 1/2	100	10/81-10/86	28 1/2	101 1/2	+	28 1/2	101 1/2	+	28 1/2
Alcoa 29 1/2	100	10/81-10/86	29 1/2	101 1/2	+	29 1/2	101 1/2	+	29 1/2
Alcoa 30 1/2	100	10/81-10/86	30 1/2	101 1/2	+	30 1/2	101 1/2	+	30 1/2
Alcoa 31 1/2	100	10/81-10/86	31 1/2	101 1/2	+	31 1/2	101 1/2	+	31 1/2
Alcoa 32 1/2	100	10/81-10/86	32 1/2	101 1/2	+	32 1/2	101 1/2	+	32 1/2
Alcoa 33 1/2	100	10/81-10/86	33 1/2	101 1/2	+	33 1/2	101 1/2	+	33 1/2
Alcoa 34 1/2	100	10/81-10/86	34 1/2	101 1/2	+	34 1/2	101 1/2	+	34 1/2
Alcoa 35 1/2	100	10/81-10/86	35 1/2	101 1/2	+	35 1/2	101 1/2	+	35 1/2
Alcoa 36 1/2	100	10/81-10/86	36 1/2	101 1/2	+	36 1/2	101 1/2	+	36 1/2
Alcoa 37 1/2	100	10/81-10/86	37 1/2	101 1/2	+	37 1/2	101 1/2	+	37 1/2
Alcoa 38 1/2	100	10/81-10/86	38 1/2	101 1/2	+	38 1/2	101 1/2	+	38 1/2
Alcoa 39 1/2	100	10/81-10/86	39 1/2	101 1/2	+	39 1/2	101 1/2	+	39 1/2
Alcoa 40 1/2	100	10/81-10/86	40 1/2	101 1/2	+	40 1/2	101 1/2	+	40 1/2
Alcoa 41 1/2	100	10/81-10/86	41 1/2	101 1/2	+	41 1/2	101 1/2	+	41 1/2
Alcoa 42 1/2	100	10/81-10/86	42 1/2	101 1/2	+	42 1/2	101 1/2	+	42 1/2
Alcoa 43 1/2	100	10/81-10/86	43 1/2	101 1/2	+	43 1/2	101 1/2	+	43 1/2
Alcoa 44 1/2	100	10/81-10/86	44 1/2	101 1/2	+	44 1/2	101 1/2	+	44 1/2
Alcoa 45 1/2	100	10/81-10/86	45 1/2	101 1/2	+	45 1/2	101 1/2	+	45 1/2
Alcoa 46 1/2	100	10/81-10/86	46 1/2	101 1/2	+	46 1/2	101 1/2	+	46 1/2
Alcoa 47 1/2	100	10/81-10/86	47 1/2	101 1/2	+	47 1/2	101 1/2	+	47 1/2
Alcoa 48 1/2	100	10/81-10/86	48 1/2	101 1/2	+	48 1/2	101 1/2	+	48 1/2
Alcoa 49 1/2	100	10/81-10/86	49 1/2	101 1/2	+	49 1/2	101 1/2	+	49 1/2
Alcoa 50 1/2	100	10/81-10/86	50 1/2	101 1/2	+	50 1/2	101 1/2	+	50 1/2
Alcoa 51 1/2	100	10/81-10/86	51 1/2	101 1/2	+	51 1/2	101 1/2	+	51 1/2
Alcoa 52 1/2	100	10/81-10/86	52 1/2	101 1/2	+	52 1/2	101 1/2	+	52 1/2
Alcoa 53 1/2	100	10/81-10/86	53 1/2	101 1/2	+	53 1/2	101 1/2	+	53 1/2
Alcoa 54 1/2	100	10/81-10/86	54 1/2	101 1/2	+	54 1/2	101 1/2	+	54 1/2
Alcoa 55 1/2	100	10/81-10/86	55 1/2	101 1/2	+	55 1/2	101 1/2	+	55 1/2
Alcoa 56 1/2	100	10/81-10/86	56 1/2	101 1/2	+	56 1/2	101 1/2	+	56 1/2
Alcoa 57 1/2	100	10/81-10/86	57 1/2	101 1/2	+	57 1/2	101 1/2	+	57 1/2
Alcoa 58 1/2	100	10/81-10/86	58 1/2	101 1/2	+	58 1/2	101 1/2	+	58 1/2
Alcoa 59 1/2	100	10/81-10/86	59 1/2	101 1/2	+	59 1/2	101 1/2	+	59 1/2
Alcoa 60 1/2	100	10/81-10/86	60 1/2	101 1/2	+	60 1/2	101 1/2	+	60 1/2
Alcoa 61 1/2	100	10/81-10/86	61 1/2	101 1/2	+	61 1/2	101 1/2	+	61 1/2
Alcoa 62 1/2	100	10/81-10/86	62 1/2	101 1/2	+	62 1/2	101 1/2	+	62 1/2
Alcoa 63 1/2	100	10/81-10/86	63 1/2	101 1/2	+	63 1/2	101 1/2	+	63 1/2
Alcoa 64 1/2	100	10/81-10/86	64 1/2	101 1/2	+	64 1/2	101 1/2	+	64 1/2
Alcoa 65 1/2	100	10/81-10/86	65 1/2	101 1/2	+	65 1/2	101 1/2	+	65 1/2
Alcoa 66 1/2	100	10/81-10/86	66 1/2	101 1/2	+	66 1/2	101 1/2	+	66 1/2
Alcoa 67 1/2	100	10/81-10/86	67 1/2	101 1/2	+	67 1/2	101 1/2	+	67 1/2
Alcoa 68 1/2	100	10/81-10/86	68 1/2	101 1/2	+	68 1/2	101 1/2	+	68 1/2
Alcoa 69 1/2	100	10/81-10/86	69 1/2	101 1/2	+	69 1/2	101 1/2	+	69 1/2
Alcoa 70 1/2	100	10/81-10/86	70 1/2	101 1/2	+	70 1/2	101 1/2	+	70 1/2
Alcoa 71 1/2	100	10/81-10/86	71 1/2	101 1/2	+	71 1/2	101 1/2	+	71 1/2
Alcoa 72 1/2	100	10/81-10/86	72 1/2	101 1/2	+	72 1/2	101 1/2	+	72 1/2
Alcoa 73 1/2	100	10/81-10/86	73 1/2	101 1/2	+	73 1/2	101 1/2	+	73 1/2
Alcoa 74 1/2	100	10/81-10/86	74 1/2	101 1/2	+	74 1/2	101 1/2	+	74 1/2
Alcoa 75 1/2	100	10/81-10/86	75 1/2	101 1/2	+	75 1/2	101 1/2	+	75 1/2
Alcoa 76 1/2	100	10/81-10/86	76 1/2	101 1/2	+	76 1/2	101 1/2	+	76 1/2
Alcoa 77 1/2	100	10/81-10/86	77 1/2	101 1/2	+	77 1/2	101 1/2	+	77 1/2
Alcoa 78 1/2	100	10/81-10/86	78 1/2	101 1/2	+	78 1/2	101 1/2	+	78 1/2
Alcoa 79 1/2	100	10/81-10/86	79 1/2	101 1/2	+	79 1/2	101 1/2	+	79 1/2
Alcoa 80 1/2	100	10/81-10/86	80 1/2	101 1/2	+	80 1/2	101 1/2	+	80 1/2
Alcoa 81 1/2	100	10/81-10/86	81 1/2	101 1/2	+	81 1/2	101 1/2	+	81 1/2
Alcoa 82 1/2	100	10/81-10/86	82 1/2	101 1/2	+	82 1/2	101 1/2	+	82 1/2
Alcoa 83 1/2	100	10/81-10/86	83 1/2	101 1/2	+	83 1/2	101 1/2	+	83 1/2
Alcoa 84 1/2	100	10/81-10/86	84 1/2	101 1/2	+	84 1/2	101 1/2	+	84 1/2
Alcoa 85 1/2	100	10/81-10/86	85 1/2	101 1/2	+	85 1/2	101 1/2	+	85 1/2
Alcoa 86 1/2	100	10/81-10/86	86 1/2	101 1/2	+	86 1/2	101 1/2	+	86 1/2
Alcoa 87 1/2	100	10/81-10/86	87 1/2	101 1/2	+	87 1/2	101 1/2	+	87 1/2
Alcoa 88 1/2	100	10/81-10/86	88 1/2	101 1/2	+	88 1/2	101 1/2	+	88 1/2
Alcoa 89 1/2	100	10/81-10/86	89 1/2	101 1/2	+	89 1/2	101 1/2	+	89 1/2
Alcoa 90 1/2	100	10/81-10/86	90 1/2	101 1/2	+	90 1/2	101 1/2	+	90 1/2
Alcoa 91 1/2	100	10/81-10/86	91 1/2	101 1/2	+	91 1/2	101 1/2	+	91 1/2
Alcoa 92 1/2	100	10/81-10/86	92 1/2	101 1/2	+	92 1/2	101 1/2	+	92 1/2
Alcoa 93 1/2	100	10/81-10/86	93 1/2	101 1/2	+	93 1/2	101 1/2	+	93 1/2
Alcoa 94 1/2	100	10/81-10/86	94 1/2	101 1/2	+	94 1/2	101 1/2	+	94 1/2
Alcoa 95 1/2	100	10/81-10/86	95 1/2	101 1/2	+	95 1/2	101 1/2	+	95 1/2
Alcoa 96 1/2	100	10/81-10/86	96 1/2	101 1/2	+	96 1/2	101 1/2	+	96 1/2
Alcoa 97 1/2	100	10/81-10/86	97 1/2	101 1/2	+	97 1/2	101 1/2	+	97 1/2
Alcoa 98 1/2	100	10/81-10/86	98 1/2	101 1/2	+	98 1/2	101 1/2	+	98 1/2
Alcoa 99 1/2	100	10/81-10/86	99 1/2	101 1/2	+	99 1/2	101 1/2	+	99 1/2
Alcoa 100 1/2	100	10/81-10/86	100 1/2	101 1/2	+	100 1/2	101 1/2	+	100 1/2

Compromise reached on Tokyo CP market

By Yoko Shibata in Tokyo

A COMMERCIAL paper market in Japan has taken a step closer to reality, after years of wrangling between the banks and securities houses over which of them should run it.

The Ministry of Finance has now decided that both banks and securities houses will be allowed to underwrite and sell commercial paper.

It has also decided that the new instruments will be classified in the same category as commercial bills, instead of being treated as securities.

This compromise has been tentatively welcomed by both the securities industry and the banks.

Although no timing has yet been given for the launch of the new market, it is expected that banks and securities houses will be able to draw up their respective plans, covering such points as the evaluation of prospective issuers.

The MOP evidently wants to see CP issuance introduced rapidly. As from this April, non-resident companies will be permitted to issue Euroyen CP, while issues by Japanese companies will follow a year later.

Since last month, overseas branches of Japanese banks have been permitted to deal in foreign CP. With effect from next month, both securities companies will be able to underwrite and trade in Euroyen CP. The Ministry defines foreign currency CP as securities under the Foreign Exchange Control Law.

The Bank of Japan announced tentative regulations for a domestic CP market in late January, when it decided that the paper should be treated as a commercial bill and issued through banks, securities houses and money market brokers by companies with officially accepted credit ratings.

The debate over a Japanese commercial paper market heated up last summer when the securities industry advanced a draft proposal calling for both the banks and securities houses to be allowed to underwrite and sell the new instruments.

The banks, however, came out against the securities companies' participation in CP market, claiming it would be tantamount to letting them compete with the banks in short-term lending. The banks urged that domestic CP should be viewed as a commercial bill and issued through the banks.

Both sides, however, appear to be cautiously optimistic about the MOP's compromise.

After Paribas—the deluge

BY GEORGE GRAHAM IN PARIS

THE marble pillars of Paribas are still quivering from the stampede of small investors who rushed to take advantage of the privatisation of the august French investment bank.

For the next four, much smaller banks on the French Government's privatisation list for the first half of 1

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INTERNATIONAL COMPANIES and FINANCE

HONGKONG ELECTRIC REGROUPING

Li Kashing unveils spin-off plan

BY DAVID DODWELL IN HONG KONG

MR LI KASHING, one of Hong Kong's most powerful corporate figures, yesterday unveiled plans to form a new company, Cavendish International, which will comprise all the non-electricity related interests of Hongkong Electric, the utility in which he holds a controlling stake.

The move will protect these interests—which include a 42 per cent stake in Husky Oil, one of Canada's leading exploration groups, and a 4.99 per cent holding in the Pearson group in the UK, which owns the Financial Times—after weeks of speculation that a predator has been building up a stake in Hongkong Electric in an attempt to acquire control cheaply of one of the fastest-growing areas of Mr Li's corporate empire.

Mr Li at the same time revealed buyout full-year results for all of his main companies: Hongkong Electric lifted profits after tax by 17.3 per cent, from HK\$1.38bn (US\$184.1m) in 1985 to HK\$1.58bn last year.

Hutchinson Whampoa, the diversified group through which Mr Li controls HK Electric, reported a 37 per cent profit leap, from HK\$1.18bn to HK\$1.61bn.

Cheung Kong, the property holding group that is Mr Li's master company, reported profits more than doubled, from HK\$551m in 1985 to HK\$1.28bn. Extraordinary profits of HK\$980m lifted attributable earnings to almost HK\$2.5bn.

Mr Li indicated yesterday that Cavendish would be well placed to make substantial fresh investments, as in Hutchinson Whampoa. The only specific signal was in connection with his Pearson stake. He commented: "We are still watching—you can say we are cooking." He refused to elaborate.

Discussions with Pearson executives late last year left Mr Li clear that a full bid for Pearson would be fiercely resisted. Mr Li has similarly made it clear that if he decided to proceed he could quickly

summon the \$1bn (US\$1.55bn) or more that would be needed for a full takeover. He has nevertheless made no fresh move since acquiring his initial stake in September.

Yesterday, Mr Li announced plans to split shares in Hutchinson Whampoa and Cheung Kong, both of which have become expensive as they have risen strongly over the past two years. Shares in both companies will be split into four. After the split, shareholders will get one bonus share for every four already owned.

Hutchinson shares were suspended yesterday at HK\$34.50, compared with HK\$24.40 a year ago. Cheung Kong shares have surged over the past year from HK\$18.30 to HK\$45.25. Over the same period, the Hang Seng index has risen from 1,607 to a record close yesterday of just over 2,800. The share split is intended to make the shares more marketable.

The reorganization of Hongkong Electric Holdings, which

currently has a market capitalization of about HK\$24.5bn, will split the public utility from the non-electricity related interests of the holding company by offering existing shareholders one share in Cavendish for every share they own in HK Electric.

It is estimated that Cavendish will on flotation have a market capitalization of about HK\$10bn. Its principal investments will be the Hilton Hotel in Hong Kong, a portfolio of industrial and residential properties, cash, deposits and securities worth about HK\$650m, and a 50 per cent holding in Union Faith.

Union Faith, the balance of whose shares are owned by Hutchinson Whampoa, owns the property group International City Holdings, as well as the 4.99 per cent stake in Pearson acquired last year at an approximate cost of HK\$600m, and a 49 per cent stake in Husky Oil, worth about HK\$1.35bn. It has cash, deposits and securities amounting to about HK\$1.6bn.

Nippon Steel buys stakes in high-tech ventures

By Yoko Shibata in Tokyo

NIIPPON STEEL, Japan's largest steelmaker, has stepped up its diversification efforts with purchases of strategic stakes in two high technology venture companies—one at home and the other in the US.

It said yesterday it is to buy a 21 per cent stake for some \$5m in GTX Corporation, of Phoenix, Arizona. The US company manufactures advanced systems to input drawings for computer aided design. Nippon Steel will have two seats on the GTX board and have exclusive rights to produce the systems worldwide and market them in Japan. Sales are expected to reach ¥10bn (¥65.3m) in three or four years.

Nippon Steel will also acquire a 50.7 per cent stake in TAU Giken, accepting new shares to be issued in mid-March by the Tokyo-based designer of office computers and data base systems. It expects TAU to develop Japanese language programs for GTX.

Through moves such as these as well as in-house expansion, the recession-hit steelmaker aims to derive 20 per cent of its total turnover from its electronics and information equipment division by 1995. Steel sales by that time are intended to account for less than half the total.

Among other deals, Nippon Steel last year acquired a joint venture to manufacture ceramic chip condensers with Philips of the Netherlands and Nippon Chemical, a maker of condenser microphones, and set up another joint venture with GenCorp, Computer of the US to manufacture mini-computers.

The group is also reported to be seeking a foothold in factory automation by taking a 20 per cent stake in Japan, a manufacturer of electric dischargers. An agreement may be signed by the end of this month.

Meanwhile, Tohoku Steel and Asama Steel—both allies with Nippon Steel—have announced plans to merge in October. Such a move would be likely to provide a further spur to the reorganization under way in the sector.

Both are listed on the first section of the Tokyo Stock Exchange. They are expected to form a new company on their dissolution, an unusual merger method for quoted companies in Japan.

Tohoku will partly suspend operation of its Tokyo steel works and Asama part of its Sendai works in order to streamline their operations. They will also make several hundred workers redundant.

In the year to March 1986, Tohoku and Asama suffered pre-tax losses of about ¥2bn and ¥7bn respectively.

Boral lifts net earnings by 18%

BY BRUCE JACQUES IN SYDNEY

BORAL, THE Australian company which is currently completing the acquisition of Blue Circle Southern Cement, has reported a continuation of its long run of trading profit increases.

The company confirmed its position as Australia's largest diversified building products group with an 18.5 per cent net earnings rise from A\$74.4m to A\$88.2m in the December half-year.

The result followed a 26.3 per cent sales lift from A\$69.8m to A\$120m and the interim dividend has been raised from 7.5

cents to 9 cents a share on capital increased by a one-for-four scrip issue during the year.

But conservative accounting policies again caused a big extraordinary loss for the company and meant that profit available to shareholders was down from A\$53.8m to A\$68.5m. Boral wrote off A\$21.3m in goodwill, mostly relating to the acquisition of the UK-based Edenhall concrete group. The write-off compared with a A\$9.4m extraordinary profit in the previous corresponding half.

The goodwill write-off continues a policy begun in the 1985-86 year when A\$98.5m was

charged against profits, the bulk relating to expunging goodwill from the John Perry Engineering acquisition.

The write-offs are a departure from Australian accounting standards which only require goodwill to be amortised over a number of years. If the company continues the policy, it could be in for even larger write-offs in the current full year on consolidation of Blue Circle Southern.

Sir Peter Finley, Boral chairman, said the higher trading profits reflected solid returns from most of the group's activities, both in Australia and overseas.

Kohler back in the black on higher sales

By Our Johannesburg Correspondent

KOHLER, one of South Africa's largest retailing groups, returned to profits in the six months to December because of a combination of improved trading and lower interest charges.

After a poor 1985, each of the company's operating divisions lifted sales volume by between 8 and 10 per cent and the year's turnover increased by 24 per cent to R449m (S218.3m) from R362m. Pre-tax profits were R17.1m against losses of R13.2m.

Mr Ian Willis, the chief executive, said sales to the agricultural sector improved as the farming industry recovered from the drought of previous years.

Mr Willis expects sales and profits to increase further in 1987 and says that the group intends to reduce its financial gearing. Net earnings per share were 121.5 cents against a deficit of 168.7 cents, and dividends have been resumed with a total payout of 34 cents.

Kohler is a 68 per cent-owned subsidiary of Gencor, South Africa's second largest mining house.

S. African retailer shows recovery at six months

BY JIM JONES IN JOHANNESBURG

TRADEGRO, South Africa's largest retailing group, returned to profits in the six months to December because of a combination of improved trading and lower interest charges.

Turnover increased to R2.23bn (S1.07bn) from R1.72bn, operating profits before interest and tax rose to R45.8m from R11.2m and a pre-tax profit of R29.7m was earned against a pre-tax loss of R12.6m.

Mr Marinus Daling, the chairman, said that wholly-owned Checkers, which is the country's largest supermarket chain and which has suffered several years of losses, increased its market share by 30 per cent in the half-year, that its turnover increased by 30 per cent to about R1bn and that its profit turnaround was R25.2m.

The Dion discount store is again trading profitably, while allowed the Ruiters furniture retail chain to return to profits. Metro, the cash-and-carry wholesaling subsidiary increased sales and profits, as did Cashbuild, the building supplies distributor.

Interim net earnings per share were 6.3 cents against a loss of 61.4 cents. An interim dividend has not been declared.

Tradeagro is controlled by Sanlam, South Africa's second largest insurance company. Federex, the electrical goods and furniture company, returned to profits in 1986 as a result of higher sales, wider trading margins and lower finance charges.

The company wrote off its foreign exchange losses in full in 1985 when its capital was restructured and additional equity finance was raised.

Turnover rose to R583m (S266m) from R496m, and pre-tax profits of R34.3m compared with a R7m loss. The directors said trading conditions remained difficult throughout the year. White consumers remain reluctant to spend on consumer durables.

Net earnings were 35 cents a share against the previous year's loss of 84 cents, but a dividend has again not been declared. Tradeagro is controlled by Gencor, the mining house.

This announcement appears as a matter of record only.

Virgin

Virgin Group plc

U.S. \$100,000,000

Euro-Commercial Paper Programme

Dealers

Citicorp Investment Bank Limited

Lloyds Merchant Bank Limited

Issue and Paying Agent

Lloyds Merchant Bank Limited

February 1987

CITICORP INVESTMENT BANK

All of these securities having been sold, this advertisement appears as a matter of record only.

10,000,000 Shares

American Health Properties, Inc.

Common Stock

A Real Estate Investment Trust

Established by American Medical International, Inc.

Dean Witter Reynolds Inc.

Goldman, Sachs & Co.

Salomon Brothers Inc.

Smith Barney, Harris Upham & Co.

Incorporated

Bear, Stearns & Co. Inc.

The First Boston Corporation

Alex. Brown & Sons

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette

Hambrecht & Quist

E. F. Hutton & Company Inc.

Kidder, Peabody & Co.

Lazard Frères & Co.

Merrill Lynch Capital Markets

Morgan Stanley & Co.

PaineWebber Incorporated

Prudential-Bache Capital Funding

L. F. Rothschild, Unterberg, Towbin, Inc.

Shearson Lehman Brothers Inc.

Wertheim Schroder & Co.

March 3, 1987

Company Notices

Cable Computer Co., Ltd.

US\$100,000,000 7 per cent

Convertible Bonds due 2,000 and

US\$300,000,000 5 1/2 per cent

Bonds with Warrants due 1987

Notice is hereby given that the

adjustment of conversion and

subscription prices for the above

mentioned Convertible Bonds

and Bonds with Warrants shall

be made pursuant to the provisions

of clause 7(1) of the Trust

Deed dated June 6, 1985

relating to the said Convertible

Bonds as well as the provisions

of clause 4 of the instrument

dated March 15, 1986 relating

to the said Bonds with Warrants,

as a result of a free

distribution of shares at the

rate of 0.05 share for one

share of the Company for a

portion transferred to the

capital in excess of aggregated

amount of par value of out-

standing shares of the Company

resolved at the meeting of

Board of Directors of the Com-

pany held on January 29, 1987.

1. Adjusted Conversion Price

Yen 1,508.20

Current Conversion Price

Yen 1,583.60

2. Adjusted Subscription Price

Yen 1,080.50

Current Subscription Price

Yen 1,134.50

Both new prices will become

effective on March 21, 1987.

Cable Computer Co., Ltd.

By: The Mitsui Bank, Limited

London Branch

as Principal Paying Agent

Dated March 3, 1987

G.U.S. INTERNATIONAL N.Y.

US\$15,000,000 9 1/2% 1974/1989

Notwithstanding any provision to the

contrary in any indenture, the

US\$15,000,000 due on April 15, 1987

has been extended by the Company

to February 23rd, 1987, in the presence

of Messrs. James H. Moore, Secretary

Public in Luxembourg.

Consequently, the 1,500 bonds of

US\$1,000,000 each, due on

April 15, 1987

and interest thereon, already

received, will be redeemable at par,

plus interest, on or before April 15,

1987, at which time they will cease

to exist.

Redemption and payment of interest

due on April 15, 1987 will be made

at the following banks:

CREDIT LYONNAIS, Luxembourg.

CREDIT LYONNAIS, Antwerp.

CREDIT LYONNAIS, New York.

CREDIT LYONNAIS, London.

CREDIT LYONNAIS, Paris.

FIRST NATIONAL CITY BANK, Frank-

furt.

SOCIETE DE BANQUE SUISSE, S.A.,

Geneva.

US\$3,500,000

We recall that the following bonds

issued by the Company have not yet

been presented for collection:

April 15, 1986

No. 5486 to 5488, 5485 to 5485

US\$3,500,000

CREDIT LYONNAIS, LUXEMBOURG

CHEMICAL NEW YORK CORP.

US\$200,000,000 FLOATING RATE

Notwithstanding any provision to the

contrary in any indenture, the

US\$200,000,000 due on April 15, 1987

has been extended by the Company

to February 23rd, 1987, in the presence

of Messrs. James H. Moore, Secretary

Public in Luxembourg.

Consequently, the 2,000 bonds of

US\$1,000,000 each, due on

April 15, 1987

and interest thereon, already

received, will be redeemable at par,

plus interest, on or before April 15,

1987, at which time they will cease

to exist.

Redemption and payment of interest

due on April 15, 1987 will be made

at the following banks:

CREDIT LYONNAIS, Luxembourg.

CREDIT LYONNAIS, Antwerp.

CREDIT LYONNAIS, New York.

CREDIT LYONNAIS, London.

CREDIT LYONNAIS, Paris.

FIRST NATIONAL CITY BANK, Frank-

furt.

SOCIETE DE BANQUE SUISSE, S.A.,

Geneva.

US\$3,500,000

We recall that the following bonds

issued by the Company have not yet

been presented for collection:

April 15, 1986

No. 5486 to 5488, 5485 to 5485

US\$3,500,000

CREDIT LYONNAIS, LUXEMBOURG

CLASSIFIED

ADVERTISEMENT

RATES

Per column

SECRET

	stock units (y)	loan stock (z)	1997	1998	1999
1998					
1st January	473	169-50	2nd January	609-50	212-50
1st September	805	173-80 and	2nd February	590-50	304-50
1st October	981	196-80	27th February	640-50	228-50
3rd November	983				
1st December		186-50			

Notes: (a) The bank has confirmed that sufficient resources are available to SHV to satisfy the immediate cash consideration under the Tender Offer.

UK COMPANY NEWS

Lucas calls halt to pension contributions for two years

BY ERIC SHORT

Lucas Industries, the engineering and aerospace group, is taking a two-year holiday from making any pension contributions into its Staff and its Works Pensions Funds as from August 1, 1987.

This decision was taken following a recent actuarial revaluation of the two funds which disclosed a continuing significant surplus of assets over liabilities.

The group was not prepared to disclose the amount of the surplus, but future pre-tax profits were expected to benefit by around £23m a year.

The share price climbed strongly on the news to close 17p up at 620p. This value the group at £760m compared with £1.4bn for the market value of the combined pension funds assets.

The values of pension scheme assets have been substantially increased in recent years from the buoyant stock markets in the UK and other leading world equity markets.

In contrast, increases in liabilities have been held back by redundancies and lower-than-anticipated salary and wage increases.



Sir Godfrey Messerly, chairman of Lucas

This has resulted in pension schemes showing substantial surpluses which the parent companies have been using to improve benefits, temporarily cease payments into the pension scheme and if necessary take cash refunds back to the employer.

Lucas will be using some of

the surplus to finance the recent package of benefit improvements. However, the group has a good record generally of increases to pensions already being paid — it is among the top 10 per cent for pension increases in the private sector — so scope for further increases is limited by Inland Revenue limits.

However, employees are not being given a contribution holiday. They will continue to pay on average 6 per cent.

Lucas has announced that it intends to switch the basis of contribution into the pension scheme, when payments are resumed, from the current fixed high rate to a balance of cost — the more normal method of funding where employees pay a fixed contribution and the employer pays the balance of the cost.

This should cut back the surplus when stock markets are buoyant and make it easier for companies to comply with the new Revenue requirements. But it can result in massive increases in contributions from the employer when markets turn down.

Mystery buyer takes 11% of L and N

By Nikki Tait

THE £30m bid battle for London and Northern, the construction, energy and healthcare group, took a new twist yesterday when a fourth party snapped up an 11 per cent stake in the company, after a lunch-time stock-market raid.

The identity of the buyer was not disclosed, although under takeover rules it must be disclosed by noon today. However, the buying exercise was conducted by merchant bank Robert Fleming, which confirmed yesterday that it was acting for an existing UK client, outside the construction industry itself.

Market gossip immediately suggested that the buyer may be Evered Holdings, the acquisitive industrial conglomerate run by the Aberdeen brothers. Yesterday, Robert Fleming, which advises Evered, refused to comment on the speculation and directors of Evered were unavailable.

The buying which began just before lunch is thought to have netted over 12m shares, or slightly more than 11 per cent of London and Northern's equity. Purchases took place at around the 51p level, although L and N shares then eased back to close at 50p.

Both the existing bidder, Demerger Two, which needs acceptance on behalf of 90 per cent of the shares if its plan to split L and N into four individual companies and refloat them is to go ahead, and London and Northern itself denied that they had been involved in the buying.

Mr Peter Karl, director of Inceptor Karl which is advising Demerger, said he believed that some of the shares picked up in the raid had come from institutions which had previously acquired Demerger's 51p share cash alternative.

Last week a third party arrived on the L and N bid scene — Winterbottom Holdings, a small Australian investment holding company based in Perth, which declared a 4.5 per cent stake and said it would not back the Demerger proposal. Directors of London and Northern, who sold around 3.5 per cent of the shares have already said they will not vote in favour of Demerger.

Yesterday, Robert Fleming said it did not know whether its client planned to make a rival offer for L and N.

Southend Stadium
Southend Stadium is acquiring a block of properties near London's Essex Road for £13.25m cash from Row & City Properties, a subsidiary of the P&O Group. The present annual income from the properties is about £1.4m.

Morceau moves into US

Morceau North America, a newly-formed 70 per cent owned subsidiary of Morceau Holdings, the UK supplier and installer of passive fire protection systems, has acquired a 20 per cent attributable interest in Performance Contracting Group (PCG) for \$2.3m (£1.48m).

PCG is a company newly formed by the management of Performance Contracting Group (PCG) to acquire the insulation contracting business of PCG from its parent Owens-Corning Fiberglas. The total cost, including expenses, for the purchase is \$16.8m, financed via the issue of \$3.5m PCG common stock, \$2m A Preference stock, and \$1.3m B Preference stock, with the balance satisfied from bank financing.

Morceau's 30 per cent partner in its North American subsidiary is New Venture Corporation, a venture capital concern active in construction industry related investments in the US.

Mr Roger Cochrane, chairman of Morceau, is to join the boards of both PCG and

David Lascelles and Rod Oram on Exco's expansion in the US

Key link added to a global chain

EXCO'S ACQUISITION of RMJ Holdings marks the fulfilment of a long-standing ambition by the UK broking firm to get into the US Treasury market, the world's biggest securities market.

It will not only enable Exco to match up to its main rivals who are already there, but will add a key link to its increasingly global business.

RMJ is one of only half a dozen brokers who arrange trades for the 40 or so primary Treasury dealers officially recognised by the Federal Reserve Bank of New York.

That market, which is dominated by the largest US banks and securities houses, has more than doubled since 1983 to turn over more than \$100bn a day.

Over half of that passes through the brokers' hands, and RMJ claims to have about 30-35 per cent of the brokers' share.

It is an intensely competitive business: only a year ago commissions were halved when the primary dealers decided to set up their own brokerage firm, Liberty Brokers, to undercut what they considered to be a brokers' cartel.

Brokers managed partially to offset the result of the sale by profits by stringent cost cutting and the continuing rapid growth of volume.

In response to the competitive threat of Liberty Brokers, most brokers have now devised ways to rebalance their customers. Fundamental Brokers, owned by Mercantile House of the UK, has, for example, turned itself into a limited partnership. Its customers have paid nominal sums to become partners in exchange for a share of its profits.

Brokers say their hopes for rebuilding their profits hang on the globalisation of securities trading which they believe will help maintain the industry's rapid rise in volume.

More importantly, the dealers have turned increasingly to brokers to facilitate trading as volume and the number of players has grown.



Mr Richard Lacy, chairman of Exco

Brokers were involved in about 38 per cent of the trading in 1984, about 45 to 50 per cent in 1985 and about 50-55 per cent last year. They expect their share of the business to continue to rise.

That the value of the brokerage business has not declined, at least so far as Exco is concerned, is evident from the value of RMJ itself.

The company was first sold only 18 months ago by Security Pacific, the Los Angeles banking group, to Bank of New York for less than \$60m. Bank of New York is now selling it on to Exco at a price which values its share of the business at just under \$100m (£64m), equivalent to six times historic earnings.

The acquisition means that Exco can now claim to have a foothold in the world's three major securities markets, London, New York and Tokyo. This puts it on a par with the other two leading international brokers (both of them as it happens British-owned), Mercantile House and Mills & Allen.

Given these pressures on

A foothold in the world's three major financial markets—London, New York and Tokyo—putting it on a par with the other two leading international brokers Mercantile Credit and Mills & Allen.

The development of international reach is not just a matter of prestige. Brokers have to be present wherever securities change hands, particularly US treasuries which have become the world's most widely traded form of paper.

Global trading in US government securities is still small scale with an estimated \$50m to \$75m being done each day in Tokyo and London combined.

With the recent introduction in Australia of a US government bond futures contract, the last time gap was filled allowing 24-hour-a-day trading.

Expansion confronts the brokers with considerable costs, however.

At home they must keep up with the growing ranks of primary dealers to whom they supply free of charge computer screens for on-line trading.

Abroad, the brokers face heavy costs of personnel and equipment to set up new operations.

Given these pressures on

brokers, further consolidation of their ranks was expected as they sought the capital and managerial skills of larger organisations.

Moreover, British firms are seen as prime buyers of brokers because of the large role they already play on Wall Street in brokering of government securities and foreign exchange.

Another cloud hanging over brokers is a congressional challenge to their practice of restricting their services to about 50 actual and aspiring primary dealers.

Dealers excluded from this "inside market" as they call it say they are disadvantaged by not knowing the prices at which primary dealers are trading through the brokers. Moreover, the practice has reduced the depth and liquidity of the market.

Many primary dealers and brokers, to reply, say that attempts to open up their system would increase costs and impair the efficiency of the market and ultimately increase the government's cost of funding its budget deficits.

The Securities and Exchange Commission, Washington's securities industry watchdog, is due to report to Congress by April 28 on the subject.

Ironically, Liberty Brokers is also under investigation on anti-trust grounds to determine if there is a conflict of interest for primary dealers to be part owners of a broker.

Although the presence of Liberty was a key reason brokers' commissions were halved, it has still not become a force in volume terms in the brokerage business.

Established brokers say one reason is that it takes a long time to develop relations but they also suspect that Liberty has deliberately kept a low profile because of the investigations.

In addition, Liberty's owners have "earned" more by slashing commissions than they could hope to do actually trading as brokers.

C. E. Heath wins latest round in legal fight

By Roger Scotton and Nick Baskin

Pinnacle Reinsurance, the Bermuda-based underwriting arm of C.E. Heath, has won a Supreme Court restraining order in the British colony against liquidators of Mentor Insurance.

The order prevents Mentor's liquidators from attempting to block a legal action launched in Bermuda recently by Pinnacle.

This represents the latest move in a 12-month-old legal dispute which started when Mentor's liquidators filed a US lawsuit against Pinnacle and 10 other defendants claiming damages totalling up to \$700m.

On March 1, the US court in New Orleans granted an injunction to stop Pinnacle from making any further payments to the six biggest Lloyd's insurance brokers.

The dispute arose from the collapse of Mentor, a Bermuda-based reinsurer. Pinnacle has strenuously denied allegations of fraud made by Mentor's liquidators.

Mr Steve Lawrence, a Pinnacle vice-president, said Pinnacle applied for the restraining order last week. It had learned that Mentor's liquidators planned to file for an injunction in New Orleans to stop Pinnacle asking Bermuda courts to make a declaratory judgment on the dispute.

RMC spends £13m and rejigs in West Germany

BY NIKKI TAIT

RMC Group, the concrete manufacturer, yesterday announced a package of international acquisitions—worth about £13m—plus a further rationalisation of the company's interests in West Germany.

In Belgium, RMC is paying about \$4m for an aerated concrete factory at Burcht, near Antwerp. RMC already has interests in three factories in Holland and the purchase is estimated to add 200,000 cu m of block-making capacity in the Benelux area.

In a similar-sized deal, RMC's wholly-owned French subsidiary is buying Rhone Aggregats Gravidrome, which operates six quarries in the Rhone Valley, five producing sand and gravel and one limestone. Annual production is put at about one million tonnes.

The UK deals are smaller; for about \$3.6m RMC has increased its aggregates reserves by 11 million tonnes through land purchases in Lincolnshire, Kent and Derbyshire, and has also bought asphalt and coated-stone business in the Cheshire area and slag aggregates interests near Staveley.

In the US, meanwhile, the wholly-owned subsidiary, Ewell Industries, has paid \$2m for COD Material, which operates and trucks two concrete plants

in Florida. All the deals are for cash, with the exception of the UK purchases which will be funded by £1.4m of unsecured loan notes and the rest in cash.

The West German reorganisation involves the sale of RMC's 52.1 per cent interest in Rheinisch-Westfälische Kalkwerke (RWK)—a limestone business—to Ready mix Betongesellschaft für Beteiligungen (RMA), in which RMC holds a 63.5 per cent interest. RMA, which takes in concrete, cement and aggregates, already owns the remaining 47 per cent of RWK.

In payment for its stake, RMC will receive ordinary shares in RMA plus £20m of convertible loan stock—total value £28.5m. However, the other three shareholders in RMA have also subscribed a further £7.75m for new shares in the company, so RMC's holding remains at the 63.5 per cent level.

TFB in CPU deal

Technology for Business (TFB), a USM-quoted London-based computer group, is paying £1.2m for the systems divisions of CPU Computers. Profit for these divisions to December 31, 1986 was £334,000 on turnover of £8.8m.

The Throgmorton Dual Trust PLC

Interim Revenue Statement for the six months ended 31st January 1987

EXCELLENT GROWTH IN THE FIRST SIX MONTHS

- ★ Net Asset Value applicable to each class of share at 31st January 1987 was: Capital Shares — 610.1p
Income Shares — 27.8p
- ★ Net Revenue after taxation attributable to Income Shareholders was £427,000 (1986 — 166,000)
- ★ Earnings per Share were 3.07p (1986 — 1.59p)
- ★ The Board of Directors have declared an interim dividend of 1.50p per share, payable on 3rd April 1987, to Income Shareholders on the Register at the close of business on 5th March 1987. They anticipate that the total dividend for the year will be 5.00p per share as indicated in the Company's reconstruction document of 29th October 1986.
- ★ At the time of the reconstruction, 21st November 1986, the Net Asset Value of a New Capital Share was 546.3p and the Net Asset Value of an Income Share was 25.1p.

Copies of the Interim Statement can be obtained from The Secretary, The Throgmorton Dual Trust PLC, Royal London House, 22-25 Finsbury Square, London EC2A 1DS.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Chrysalis Group—On February 23, director C. Wright sold 49,990 ordinary at 221p; He now holds 12m shares.

Capital Radio—Paul Ramsay Broadcasting (UK) acquired 340,000 shares and total holding is now 3,612,892 shares (23.64 per cent).

Kennmare Oil Exploration—Celtic Basin Oil Exploration disposed of 200,000 ordinary and now holds 1,648,288 ordinary (14.5 per cent).

Caledonia Investments—Director Major H. S. Cayer disposed of 10,000 ordinary stock units at 335p on February 23.

Headlam, Sims and Coggins—L. Kirkham now holds 205,000 ordinary shares (5.02 per cent).

Combined Technologies Corporation—Director D. J. Evans sold 550,000 ordinary shares at 17p.

Guinness Peat Group—ICG Chemie-Handelsges MBH disposed of an interest in 1.5m ordinary and now holds 16,194,000 shares (5.94 per cent).

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corresponding payment	Total last year
Ernest Green	1.5t	Apr 30	—	0.71
Space Planning	0.6t	—	—	—
Task Force	1.18t	Apr 24	1.18	—
Palma Group	1.6t	July 1	1.25	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock.

Senior expands US side with \$12m acquisition

BY CLAY HARRIS

Senior Engineering is to strengthen its thermal division with the \$12.5m (\$8.1m) acquisition of Southwestern Engineering, a leading US maker of heat transfer equipment.

The Watford-based engineering group expects Southwestern to provide a boost to its further growth in the Far East and Middle East.

The acquisition marks a step up the technology ladder from Senior's existing US operations, which include Boiler Tube Company, a specialist Southwestern makes feedwater heaters, condensers, moisture separator reheaters and heat exchangers.

Its strong position in these US markets—with average share of 30 to 40 per cent in 1985—should create export opportunities for the engineers made by Wakefield-based Senior Green, according to Mr Michael Westcott, group financial director.

Senior is buying Southwestern for cash from Cronus Industries, a Nasdaq-quoted

group which is selling its manufacturing interests to concentrate on data processing services.

In 1986, Southwestern reported pre-tax profit of \$1.72m, after charges to its parent of \$985,000, on sales of \$54.9m. Senior expects Southwestern to provide up to \$3m in additional income this year. Mr Westcott said Senior itself also has accumulated US tax losses of \$8m.

In addition to the \$12.5m price, barely more than net assets at the end of 1986, Senior will also pay Cronus 4 per cent of 1987 sales of moisture separator reheaters, a figure expected not to exceed \$500,000.

Senior shares rose 3 1/2p to 62 1/2p.

Carlton optimistic

Carlton Communications' chairman Mr Michael Green sold shareholders at the AGM that the current year had started well.

Conditions for TV industry worldwide continued to look buoyant. Issue of 4.6m shares to ADR form had been successfully completed. With US representing 50 per cent of world TV market Carlton intended to increase its presence there.

Group management accounts for the first four months showed healthy increase, said the chairman. The shares rose 50 1/2 to 51 1/2 yesterday.

Romney

AN INTERNATIONAL INVESTMENT TRUST

- Major restructuring of portfolio.
- Global portfolio seeking capital growth.
- Net assets up 30%.

"Your Board is confident that Romney offers an excellent investment for shareholders seeking an overseas investment vehicle."

Mr D.H.L. Hopkinson, CBE, RD, DL (Chairman).

Results	31.12.86	31.12.85
Gross revenue	£2.67m	£1.86m
Earnings per ordinary stock unit	3.85p	6.53p
Proposed dividend for year per ordinary stock unit	5.00p	5.00p
Net asset value per ordinary stock unit (fully diluted)	444.0p	341.8p
Total resources	£28.4m	£101.9m

Copies of the Report and Accounts are available from the Managers
Philip Stevens, Lazard Investors, 21 Moorfields, London EC2P 2HT. Tel: 01-588 2721.

Member of the Association of Investment Trust Companies.

UK COMPANY NEWS

Task Force tops forecast with leap to £642,000

Task Force Group, computer personnel agency, has beaten its prospectus forecast with an 88 per cent rise in pre-tax profits from £342,000 to £642,000 for the year ended November 30, 1986. The company had projected a full year figure of £50,000 last June at the time it came to the USM.

With stated earnings per 5p share almost doubled at 7.3p, against 3.7p, the final dividend is the forecast 1.18p net—no interim was paid.

Mr Tony Martin, chairman, said the current year had started with considerable business opportunities and the board had every confidence in the future growth and profitability of the group.

He said the board aimed to capitalise on Task Force's established position to build a more

substantial group by addressing itself to three main strategies: to grow organically, to grow by collaboration and to grow by acquisition and to develop its management, permanent recruitment and technology. This integrated portfolio of services had enabled the group to both increase and develop its customer base.

"Significant organic growth can be obtained, we have potential to increase market share, we are developing new services and we are well established in the fast expanding industry," the chairman said.

In September 1986, the group established a new subsidiary, Grand Elite, which provides a career counselling services and handles permanent recruitment activities. Mr Martin added that "these initiatives have enabled us to increase both the quality and number of consultants registered on the group's database."

Group turnover for the year 1985-86 rose 36 per cent to £6.15m (£4.52m). After tax of £253,000 (£149,000) net attributable profit was £389,000, against £189,000.

Task Force's core business is being complemented by activities in the areas of standard software development, facilities

Lloyds Bowmaker profits up 37%

Lloyds Bowmaker Finance, wholly-owned finance subsidiary of Lloyds Bank, raised pre-tax profits by 37 per cent from £47.9m to £65.7m in 1986. After results were 63 per cent higher at £42m, against £25.7m. The directors said an improvement in the quality of assets had led to a significant reduction in the charge for bad and doubtful debts.

Lending margins showed an improvement in 1986, as a result of better control and improved risk in business undertaken. Rising interest rates in the second half, however, adversely affected margins on the company's fixed rate lending, which comprises the large majority of its business.

During the year, Bowmaker reorganised its general branches into two specialised networks, one providing motor finance through dealers and the other meeting the equipment financing needs of business users. The company said these changes had sharpened sales and marketing thrust in these areas.

Ernest Green rises 30% to £0.77m

Ernest Green and Partners Holdings, engineering consultants, raised its pre-tax profit by 30 per cent, from £590,000 to £767,000, in the six months ended December 31, 1986, on turnover ahead from £1.92m to £2.53m.

The company came to the USM last April, and for the year 1985-86 paid a single dividend of 0.71p from a pre-tax profit of £1.23m. For the current term it has declared an initial interim of 1.5p.

Green had recently been appointed as consulting engineers on an office block for Norwich Union Insurance, a business park for London and Edinburgh Trust, and a town centre development for

Trafalgar House. Work had started on a £35m SavaCentre—the joint Sainsbury and BHS Stores enterprise—in South London.

In February, the company acquired Charles Weiss Partnership, consulting engineers, specialising in structural design of hospital and health care units.

Operating profit in the half year was up £120,000 to £755,000, and there was an interest credit of £12,000 (charge £45,000). Earnings came to 6.5p (5p) per share.

Last time there was an extraordinary charge of £131,000 relating to write-down to open market value of the freehold property.

COMPANY NEWS IN BRIEF

BENNETT AND FOUNTAIN has acquired F. A. Page for £132,500, satisfied by £50,000 cash and the issue of 300,000 shares. Page operates three retail outlets in and around Ipswich, and will be integrated into B. B. Adams, part of the company's retail division based in Norfolk. In the year ended April 30 1986 Page earned pre-tax profits of £21,000; net assets were £132,000.

On completion the owners of Profile will also receive 4m new convertible shares, convertible annually depending on profits over the next three years.

FIVEAPPLE GROUP announces that the acquisition of Premium Pen was approved. Dealings have started on the USM on the 5.53m ordinary shares of which 5.33m were issued as part consideration. The offer to shareholders of 5.10m shares at 75p was taken up by 88.9 per cent of existing shareholders and the balance placed. The recently acquired Golden Key Promotions exceeded its warranted pre-tax profit of not less than £800,000 for the year ended January 31, 1987.

EGLETON OIL & GAS Mr Emmett O'Connell, chairman and managing director, has converted his options in Osceola into shares which, together with shares already held, have been exchanged for shares in Egleton. He now holds 1.84m shares (3.52 per cent).

AULT & WIBORG said a management buy-out has been completed between Warwick International, a subsidiary of the company, and a new company set up to acquire the printing resin division based in Mitcham, Surrey. The new company will trade under the name of Mitcham.

SALE TILNEY, the engineering, food processing and distribution group, has made its first US acquisition in order to expand its financial services activities. The group is paying a total of \$5.8m to purchase an 80 per cent stake in the Atlanta-based Beyer, Reid Insurance brokers. In 1986, the brokers, who are members of Lloyd's reported profits of \$656,000 on commission income of \$8.5m.

MITCHELL COTTS has sold a 25 per cent share of wholly-owned Kenyan Tea Estates (KTE) to a consortium of institutional investors. Consideration of £800,000 has been received in cash in the UK and will be used to reduce borrowings.

Nationwide Leisure up to £0.84m

Nationwide Leisure, the holiday, caravan park and retail company which is the subject of a recommended takeover bid, has reported pre-tax profits up from £762,000 to £841,000.

A bid was made for the company on February 2 when Incorporated E and G Group, the UK subsidiary of Inspectate International, the Swiss company, offered 71.1p for every Nationwide share, and that valued it at £8.3m.

No dividend is being paid for the year to October 31 1986 compared with 2.5p net for the previous 12 months.

The directors said the current year would incorporate a full year's figures from Lakeview Park, Elms Estate, acquired late in 1986, and from three new travel agency branches opened in 1986.

The trading activities of the outdoor leisure division are being considerably reduced. Apart from the touring sport closures and the sale of the Wimbledon branch, licences of four outdoor sites will be renewed by the division this year.

Stated earnings per share were 4.3p (8.9p) on an actual tax basis.

Space Planning optimistic after midway shortfall

AFTER AN excellent start to the current year, Space Planning Services was hit by several adverse factors and for the half year ended December 31 1986 the pre-tax profit was halved to £105,000, compared with £215,000.

There had been a marked upturn in recent weeks, however, and the directors expected the second half to show substantial improvement. They remained confident that the group was in an overall growth market.

The group, a professional consultancy service, came to the USM last June via a placing at 89p a share. Yesterday, the share price was 91p, down 4p on the day.

Turnover in the half fell by 4.5 per cent to £841,000, but the operating profit slumped 59 per cent to £105,000. A new

client, on whose major office project EPS had worked for two years, decided to abandon its plans, while another began to cut back quite severely on certain of its capital commitments.

Recently there had been an increasing workload, including several projects with major new clients.

The commitment to growth by acquisition was unchanged, and it had agreed in principle with chartered architects Wells-Thorpe and Supple to acquire their business. An initial £120,000 will be paid, with the major portion of the cost being dependent on profits achieved in 1987-88.

Earnings for the half year were 1.34p (2.96p). The interim dividend is 0.6p net and the directors recommended a final dividend of 1.2p.

Flextech falls to £0.37m at midday

Flextech, a minority investor mainly in energy-related companies, saw a continuance of its profit decline in the first half, with the pre-tax figure tumbling from £1.45m to £0.37m.

At September a syndicate of investors made a partial offer for the company and finished with some 25 per cent of the equity, and there was a share placing. Mr James Mayne became chairman and managing director.

Strong measures had been taken in all the group's oil-related investee companies to enable them to adapt to new market conditions.

The current year's results were likely to reflect significant provisions aimed made by Collexip and Exploration and Production Services relating to restructuring their respective businesses.

In the half year ended June 30 1986 the operating profit increased to £350,000 (£205,000) but there was a loss of £7,000 (£1.5m profit) in related companies.

Highland Electronics improves

Highland Electronics Group, manufacturer of electronic components, increased its pre-tax profits from £113,000 to £175,000 in the six months to October 31, 1986. Turnover improved from £6.36m to £7.05m. Tax took £320,000 compared with £200,000.

The interim dividend is unchanged at 1p net—last year's total was 1.5p from pre-tax profits of £108m. Stated earnings per 20p share rose from 8.5p to 10.5p.

Orders received by Highland Electronics and W. S. McMillan during the second half have been at record levels.

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CONTRACTS

Bridgeworks for Tarmac

Building and civil engineering contracts worth about £12m have been awarded to TARMAC CONSTRUCTION.

The largest, at about £4.8m, is for bridge works at Havengrove Bridge, Sharnbrook, Essex, for the Property Services Agency. Work starts this month and is scheduled for completion in 83 weeks.

Major projects include building an office block and pilot brewery for Whitbread and Co. in Park Street West, Luton (£2.8m); and refurbishment and extension of premises in Colmore Row, Birmingham, for the Abbey National Pension Fund (£1.4m).

Other contracts are for road works in Wellington Road, Burton-on-Trent, Staffordshire, for Staffordshire County Council (£846,000); refurbishing swimming baths at Southampton, for Southampton City Council (£590,000); earthworks, landscaping and drainage works at Warwick Technology Park, for Warwickshire County Council (£580,000); alterations and extensions to Dinas Powys Primary School, Cardiff, for South Glamorgan County Council (£650,000); refurbishing a machine shop and administration block at Monks Ferry, Birkenhead, for Merseyside Development Corporation (£466,000); and refurbishment of an hotel at Plymouth, for the Royal Fleet Club (£268,000).

The company's contract housing division, which specialises in building and modernising public sector housing, has a £240,000 contract for modernising and repairing 30 homes at Thornton, Bradford, for Bradford City Council. Tarmac Construction Refurb has a £235,000 contract for alterations to a warehouse at Barley Way, Leicester, for T. W. Kempton.

Building at BNF Capenhurst

NORWEST HOLST has secured a contract worth £3.1m to construct an enrichment plant building for British Nuclear Fuels at Capenhurst, near Chester. Work starts shortly with a contract period of 90 weeks. This will be the third contract undertaken by Norwest Holst at Capenhurst. The company recently carried out the "opening up" works for this building comprising removal of an oversite concrete slab, reduced level dig and construction of heavily reinforced foundation basins—designed to withstand earthquake conditions. The enrichment plant building is mainly single-storey steel-frame construction except for the administration and workshop areas which are two-storey. The frame is clad in a double skin of asbestos. Asbestos glazing and Kalsid aluminium roof.

tract for conversion of an industrial building to form offices and storage space at the former Ford main site in Basildon, Essex.

Contracts worth more than £2.6m have been won by THOMAS WARRINGTON & SONS. They include factory units at Astmore Industrial Estate, Runcorn (£800,000) for Warrington and Runcorn Development Corporation; retail warehouse at Elkesmere Farm (£550,000) for Real Investments; and new factory projects at Wrexham Industrial Estate (£770,000) for the Welsh Development Agency; and alterations to bank premises at Wigan (£155,000) for National Westminster Bank.

DOW-MAC CONCRETE, a member of the Norwest group, has gained a £2.4m contract to design, supply and erect a precast concrete multi-storey car park for British Rail. Using the Spanpak system for what will be the largest car park yet built for British Rail, the structure on 12 split levels will form part of a new £14m station complex at Reading, Berkshire. The order comes from John Laing Construction with whom Dow-Mac has teamed up. A feature of the design is the column-free ramp area which will improve sight lines for the greater safety of car users and pedestrians.

Try wins £9m orders

THE TRY CONSTRUCTION GROUP has won contracts since the beginning of the year to the value of over £9m. The major work is in the Midlands where Try has a £2.5m contract to build 4,100 sq metres of offices. This is phase one of the Meridian Gate development for the Cor-Dor Ltd, which is expected ultimately to cost in the region of £50m.

This first phase is for two office blocks, one of four storeys and the other five. Both are to be steel framed with brick elevations and work has begun, for completion before the end of the year.

North west of London, Try has a £1.4m project to alter and extend St Mary's Church in England Primary School in Willesden. The work, which started in January, will include two-storey junior block, a hall and extensions. Completion is expected in mid-August. In nearby Harrow, the company will build a new £700,000 office block for Spicemore.

A start has also been made on a contingency media handling facility for BACS (National Westminster Bank) in Dunstable. Try's £300,000 contract

involves alterations to a bank building to form a computer and unpacking area and store. Work will be finished in May.

Build, the group's refurbished and special works company, has a number of projects, the largest valued at £2m. This is a "measured term contract" at the AEA, Winthorpe and extends over three years. The company also has a £300,000 heating refreshment contract in conjunction with Wm Press at the National Physical Laboratories, Teddington and, at £335,000, phase three of Fenwick's Store in New Bond Street.

More than £4m-worth of new work has been won by E. THOMAS & CO, West Country company in the Mowlem group. The new contracts include work at Bohill, near Penryn, where the company has a £564,000 contract to build 22 flats and two houses for Carrick District Council. Near Redruth the company has been awarded a £330,000 contract for Phase 1b of Carrow Business Park by Rowe & Co. The work comprises construction of 12 factory units together with drainage and site services.

MOWLEM MANAGEMENT BUILDING has been awarded a £3.8m luxury flat development contract at Poole, Dorset, by Regalian Homes; and Canford Heath Upper School, also at Poole, worth more than £2m. The latter is being handled in partnership with Ernest Ireland Construction of Bath, another member of the Mowlem Group. The contract for Regalian Homes at Poole is for 1-2 bedroom flats and the gardens of Compton Acres, Canford Cliffs in Poole. The building is mainly single-storey steel-frame construction except for the administration and workshop areas which are two-storey. The frame is clad in a double skin of asbestos. Asbestos glazing and Kalsid aluminium roof.

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) has received a contract, valued at £3m, from Lanarkshire Health Board for the redevelopment of the central amenity building at Kirklands Hospital, Falkirk. The work is to be undertaken in two sections with a six week time lapse between them. The first phase involves 3,210 sq metres of single and two-storey building, housing staff accommodation, administration, kitchen and dining facilities, laundry and boiler plant rooms and some treatment rooms. The other section entails demolition of a mansion house and erection of a single-storey building, with a main entrance, patient dining facilities and recreational and treatment areas.

BRISTOL BABCOCK INC. US process control division of the Babcock International, has won an order for about \$3m to supply a computer monitoring and control system for the main waste water treatment facility for the City of Dallas, Texas. The computer system will monitor and control sewage treatment processes and surrounding pump stations and will maintain a real time data base of all measurement and control parameters in the plant including pH, turbidity, flow pressure and level. The data will be used on line or on demand.

TOPS LIMITED
(Incorporated with limited liability in the Cayman Islands)
U.S.\$200,000,000
Floating Rate Trust Obligation Participation Securities Due 1988
Secured by a Charge on U.S.\$200,000,000 7 per cent.
Notes Due 1988 Issued by
The Kingdom of Denmark
For the three months 2nd March, 1987 to 1st June, 1987, the securities will carry an interest rate of 6 1/4% per annum with a coupon amount of U.S.\$165.89 per 10,000 denomination and U.S.\$4,147.14 per 250,000 denomination, payable on 1st June, 1987.
Listed on the Luxembourg Stock Exchange
Bankers Trust Company, London Agent Bank

Construction at oil terminal
FAIRLOUGH BUILDING has two new-build contracts worth over £6m in the north-east. The bigger is from BP Petroleum Development, which has awarded a £5m contract for an administrative building, workshop, control building, workshop and storage unit, and a gatehouse, for year-end completion.

A £1.12m contract is for nine factory units in Cranlington for English Estates North. This entails five buildings incorporating three detached and six terraced single-storey advance factories on Nelson Industrial Estate. All mechanical, electrical and drainage systems, plus access and estate roads, are included, for completion in October.

AGAB FINANCE B.V.
Utrecht, The Netherlands
DM 60,000,000 3 1/2% Bearer Bonds of 1987/1994 with Warrants attached
to subscribe for Ordinary Shares of Common Stock of AGAB Aktiengesellschaft für Anlagen und Beteiligungen, Frankfurt am Main
unconditionally and irrevocably guaranteed by AGAB Aktiengesellschaft für Anlagen und Beteiligungen, Frankfurt am Main
Offering Price: 100%
DG BANK Deutsche Genossenschaftsbank
Berliner Handels- und Frankfurter Bank Deutsche Bank Aktiengesellschaft
Bank in Liechtenstein (Frankfurt) GmbH Banque Paribas Capital Markets GmbH CSFB-Efficientbank
Dresdner Bank Aktiengesellschaft Genossenschaftliche Zentralbank AG - Vienna
Bankhaus Hermann Lampe Kommanditgesellschaft Morgan Guaranty GmbH Morgan Stanley International
Rabobank Nederland Schröder, Münchmeyer, Hengst & Co. Schweizerische Bankgesellschaft (Deutschland) AG
Schweizerischer Bankverein (Deutschland) AG Swiss Volksbank

GRANVILLE
SPONSORED SECURITIES
High Low Company Price Change div.(p) % P/E
161 118 Ass. Brit. Ind. Ordinary 160 — 7.5 4.8 6.5
162 121 Ass. Brit. Ind. CULS 160 — 10.0 6.1 —
40 28 Armitage and Rhodes 34 — 4.2 12.4 4.8
80 84 BSB Design Group (USM) 77 +1 1.4 1.8 18.3
219 186 Bardon Hill Group 219 — 4.8 2.1 24.9
102 56 Bny Technologies 100 — 4.3 4.3 11.9
126 55 CCI Group Ordinary 122 — 2.9 2.2 8.4
107 88 CCI Group 11pc Conv. Pl. 99 — 16.7 15.9 —
271 118 Carborundum Ordinary 267 — 9.1 3.4 12.9
38 30 Carborundum 7.5pc Pl. 83 — 10.7 11.5 —
125 75 George Blair 87 — 3.8 4.4 2.2
114 67 Ind. Precision Castings 114 — 6.7 5.9 10.7
126 122 Iels Group 122 — 18.3 — —
124 101 Jackson Group 119 — 6.1 5.1 8.1
377 280 James Burrough 561 — 17.0 4.7 10.1
100 87 James Burrough SpecPl. 87xd — 12.9 14.8 —
1035 342 Multihouse NV (AmstSE) 115 — 25 — — 37.5
380 280 Record Ridgeway Ordinary 352 — — — — 6.3
102 83 Record Ridgeway 10pc Pl. 83 — 14.1 17.0 —
81 67 Robert Johnson 80 +1 — — — 4.3
59 30 Scruttons 68 +1 — — — —
150 87 Torday and Carlisle 147 — 1.1 5.7 8.9
340 321 Trevian Holdings 324 — 7.9 2.4 6.7
80 42 Unilock Holdings (SE) 77 — 2.8 3.9 14.2
129 65 Walter Alexander 128 — 5.0 3.9 13.3
200 180 W. S. Yates 171 — 17.1 18.8 18.8
58 67 West Yorks. Ind. Hosp. (USM) 58 — 5.6 5.7 14.0
Granville & Co. Limited 8 Lovat Lane, London EC3R 8EP Telephone 01-621 1212 Member of FIMMBA
Granville Davies Coleman Limited 27 Lovat Lane, London EC3R 8DT Telephone 01-621 1212 Member of the Stock Exchange

Gottardo
1986 DIVIDEND
The ordinary general shareholders' meeting, held on February 26, 1987, fixed the following dividend for 1986 on shares and participation certificates of Sfr. 100.— par value each:
Sfr. 20.—
Sfr. 7.— 35% withholding tax
Sfr. 13.— net dividend
This amount is payable as from February 27, 1987 at:
— the Gottardo Bank's head office in Lugano, at the Zurich office and at branch offices in Lausanne, Locarno, Chiasso, Luxembourg and Nassau (Bahamas)
— Swiss Bank Corporation, Union Bank of Switzerland, Credit Suisse, M.M. Lombard, Odier & Cie and Kredietbank S.A. Luxembourg, Luxembourg
against surrender of coupon N. 31 for shares and coupon N. 26 for participation certificates.
Gottardo Bank Lugano, February 26, 1987

AUTHORISED UNIT TRUSTS

Unit Trust Name	Manager	Investment Objective	Assets Under Management (£m)	Units in Issue (m)	Unit Price (£)	Dividend Yield (%)	YTD Return (%)
Abneth Unit Trust	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Growth	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Income	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Multi-Asset	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Real Estate	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Small Cap	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Value	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
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Abneth Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Asia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0

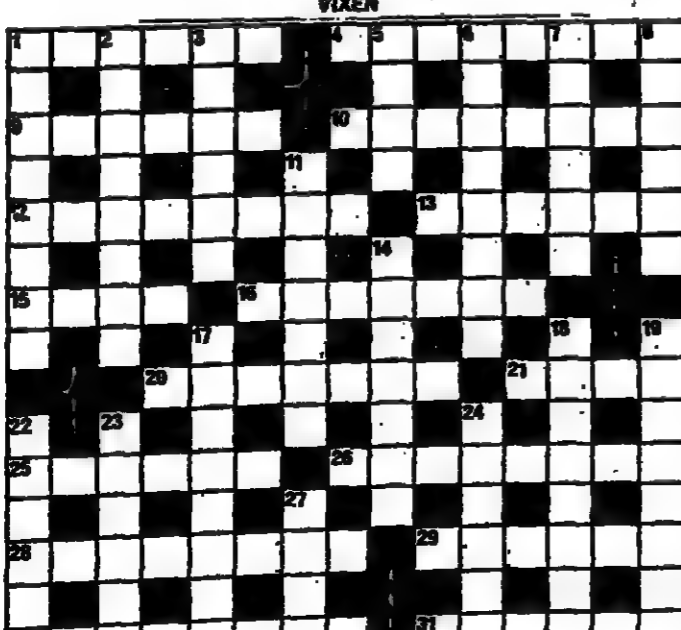
FT UNIT TRUST INFORMATION SERVICE

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Abneth Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
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Abneth Europe & Asia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0

31

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Abneth Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Asia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0

FT CROSSWORD PUZZLE-NO 6,267



- ACROSS**
- A flier entering the mess is kindly received (6)
 - Make a song about almost incredible prevarication (6)
 - Approximately ninety start well-ahead (6)
 - A form of bonding used on the Thames (6)
 - Pole occupying a schoolboy from the Baltic (6)
 - Clement put a fellow in the shade (6)
 - The ship's company sounded exultant (4)
 - Set right concerning get-up (7)
 - Rare variety of garnets (7)
 - Withdraw labour (4)
 - Loft for a time about one fifty (6)
 - A small deposit secures it (6)
 - The German will accept anything, that is the issue (6)
 - Note the girl is forgetful (6)
 - Folding as a result of credit being lessened (6)
 - A story a member has to finish (6)
- DOWN**
- Pass judgment on the delinquent in just a few words (6)
 - She is not a provider of accommodation (6)
 - In the lake and not on the coast (6)
 - Save up to a quarter for rail travel (4)

Unit Trust Name	Manager	Investment Objective	Assets Under Management (£m)	Units in Issue (m)	Unit Price (£)	Dividend Yield (%)	YTD Return (%)
Abneth Unit Trust	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Growth	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Income	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Multi-Asset	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Real Estate	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Small Cap	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Value	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth World	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth US	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Japan	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Asia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Australia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Asia	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0
Abneth Europe & Africa & Latin America & Middle East	Abneth Ltd	Equity	100	100	1.00	5.0	10.0

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[illegible]

International Inc	\$20.99	11.70	1.66	World Food NAV	\$21.31	+0.13
International Inc	\$21.15	6.50	1.66	World Wide Growth Management		
Income Bond Fd	\$20.66	6.50	1.66	10a, Boulevard Royal, Luxembourg		
Accum Bond Fd	\$20.00	6.50	4.48	Worldwide Inc Fd	\$28.69	-
For East	\$23.31	1.59				

Societe Generale Merchant Bank	pk	
60 George Street, London EC3M 6ET	11/26/96	44.31
Vanacchi Capital Mgmt (Surrey) Ltd		

[illegible]

From the
Charities Aid Foundation Money Mail

[illegible]

BANK ACCOUNTS		Group	W
Adams & Co. Inc.			

[illegible]

D. Aaron Mgmt Tng Bd	186.4	196.3	199.3
D. Aaron Mgmt Tng Pmt	195.7	200.8	200.8

[illegible]

ENGINEERING—Continued**AMERICANS—Cont**

LONDON STORE SERVICE

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

1946	Low	Stock	Price	Unit	Low	Stock	Price	Unit	Low	Stock	Price	Unit	Low	Stock	Price	Unit	Low	Stock	Price	Unit
151	75	Gravel (Ramp Grp.)	148	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
152	75	Gravel (Ramp Grp.)	148	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
153	63	Gravel	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
154	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
155	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
156	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
157	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
158	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
159	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
160	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
161	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
162	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
163	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
164	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
165	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
166	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
167	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
168	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
169	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
170	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
171	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
172	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
173	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
174	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
175	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
176	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
177	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
178	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
179	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
180	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
181	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
182	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
183	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
184	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
185	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
186	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
187	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
188	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
189	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
190	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
191	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
192	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
193	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
194	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
195	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
196	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
197	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
198	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
199	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
200	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
201	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
202	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
203	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
204	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
205	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
206	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
207	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
208	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
209	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
210	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
211	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
212	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
213	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
214	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
215	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
216	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
217	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
218	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
219	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
220	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	100
221	130	Heavy Construction	138	+	10.25	27	21	133	116	100	135	100	116	100	135	100	116	100	135	

[illegible]

Simon Eng'g	332	K11.5	2.1
600 Group	110	5.78	0.1
Smith Mkt. Svc	83	6.25	—

157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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Franklin	100	100	100	100
New Group	100	100	100	100
McDerm	100	100	100	100

[illegible][illegible]

Anglo Group Sp	734	43	4712.0	2.1
BSN Fr 200	5481		4055%	3.6
Banks (Sidero C)	460		711.5	3.8

113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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Quantities of 100 lbs. —	76	45	2.4
40-lb. W. P. 100 lbs. Sp. —	233	13.65	2.4
Clifford's District —	320	17.2	2.5

[illegible][illegible]

Hardwood 10p	194	+8	th1.50	3.9
Hillards 10p	212	+1	nt3.35	3.3

[illegible]

39	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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Wickets (Vireo)	237	+5	16.0	26
Normans Group 10p	62		12.9	24
Normans Group	304		8.0	24

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Unilever	392	+9	19.7	2.5
United Biscuits	279	+2	19.5	1.8

[illegible][illegible]

Ladbroke 10p	450	-3	111.25	1.9
Lon Park Hotels	710		110.0	2.8
Mt. Charlotte 10p	110		11.4	3.3

[illegible]

139	138	137	136	135	134	133	132	131	130	129	128	127	126	125	124	123	122	121	120	119	118	117	116	115	114	113	112	111	110	109	108	107	106	105	104	103	102	101	100	99	98	97	96	95	94	93	92	91	90	89	88	87	86	85	84	83	82	81	80	79	78	77	76	75	74	73	72	71	70	69	68	67	66	65	64	63	62	61	60	59	58	57	56	55	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100	-101	-102	-103	-104	-105	-106	-107	-108	-109	-110	-111	-112	-113	-114	-115	-116	-117	-118	-119	-120	-121	-122	-123	-124	-125	-126	-127	-128	-129	-130	-131	-132	-133	-134	-135	-136	-137	-138	-139	-140	-141	-142	-143	-144	-145	-146	-147	-148	-149	-150	-151	-152	-153	-154	-155	-156	-157	-158	-159	-160	-161	-162	-163	-164	-165	-166	-167	-168	-169	-170	-171	-172	-173	-174	-175	-176	-177	-178	-179	-180	-181	-182	-183	-184	-185	-186	-187	-188	-189	-190	-191	-192	-193	-194	-195	-196	-197	-198	-199	-200	-201	-202	-203	-204	-205	-206	-207	-208	-209	-210	-211	-212	-213	-214	-215	-216	-217	-218	-219	-220	-221	-222	-223	-224	-225	-226	-227	-228	-229	-230	-231	-232	-233	-234	-235	-236	-237	-238	-239	-240	-241	-242	-243	-244	-245	-246	-247	-248	-249	-250	-251	-252	-253	-254	-255	-256	-257	-258	-259	-260	-261	-262	-263	-264	-265	-266	-267	-268	-269	-270	-271	-272	-273	-274	-275	-276	-277	-278	-279	-280	-281	-282	-283	-284	-285	-286	-287	-288	-289	-290	-291	-292	-293	-294	-295	-296	-297	-298	-299	-300	-301	-302	-303	-304	-305	-306	-307	-308	-309	-310	-311	-312	-313	-314	-315	-316	-317	-318	-319	-320	-321	-322	-323	-324	-325	-326	-327	-328	-329	-330	-331	-332	-333	-334	-335	-336	-337	-338	-339	-340	-341	-342	-343	-344	-345	-346	-347	-348	-349	-350	-351	-352	-353	-354	-355	-356	-357	-358	-359	-360	-361	-362	-363	-364	-365	-366	-367	-368	-369	-370	-371	-372	-373	-374	-375	-376	-377	-378	-379	-380	-381	-382	-383	-384	-385	-386	-387	-388	-389	-390	-391	-392	-393	-394	-395	-396	-397	-398	-399	-400	-401	-402	-403	-404	-405	-406	-407	-408	-409	-410	-411	-412	-413	-414	-415	-416	-417	-418	-419	-420	-421	-422	-423	-424	-425	-426	-427	-428	-429	-430	-431	-432	-433	-434	-435	-436	-437	-438	-439	-440	-441	-442	-443	-444	-445	-446	-447	-448	-449	-450	-451	-452	-453	-454	-455	-456	-457	-458	-459	-460	-461	-462	-463	-464	-465	-466	-467	-468	-469	-470	-471	-472	-473	-474	-475	-476	-477	-478	-479	-480	-481	-482	-483	-484	-485	-486	-487	-488	-489	-490	-491	-492	-493	-494	-495	-496	-497	-498	-499	-500	-501	-502	-503	-504	-505	-506	-507	-508	-509	-510	-511	-512	-513	-514	-515	-516	-517	-518	-519	-520	-521	-522	-523	-524	-525	-526	-527	-528	-529	-530	-531	-532	-533	-534	-535	-536	-537	-538	-539	-540	-541	-542	-543	-544	-545	-546	-547	-548	-549	-550	-551	-552	-553	-554	-555	-556	-557	-558	-559	-560	-561	-562	-563	-564	-565	-566	-567	-568	-569	-570	-571	-572	-573	-574	-575	-576	-577	-578	-579	-580	-581	-582	-583	-584	-585	-586	-587	-588	-589	-590	-591	-592	-593	-594	-595	-596	-597	-598	-599	-600	-601	-602	-603	-604	-605	-606	-607	-608	-609	-610	-611	-612	-613	-614	-615	-616	-617	-618	-619	-620	-621	-622	-623	-624	-625	-626	-627	-628	-629	-630	-631	-632	-633	-634	-635	-636	-637	-638	-639	-640	-641	-642	-643	-644	-645	-646	-647	-648	-649	-650	-651	-652	-653	-654	-655	-656	-657	-658	-659	-660	-661	-662	-663	-664	-665	-666	-667	-668	-669	-670	-671	-672	-673	-674	-675	-676	-677	-678	-679	-680	-681	-682	-683	-684	-685	-686	-687	-688	-689	-690	-691	-692	-693	-694	-695	-696	-697	-698	-699	-700	-701	-702	-703	-704	-705	-706	-707	-708	-709	-710	-711	-712	-713	-714	-715	-716	-717	-718	-719	-720	-721	-722	-723	-724	-725	-726	-727	-728	-729	-730	-731	-732	-733	-734	-735	-736	-737	-738	-739	-740	-741	-742	-743	-744	-745	-746	-747	-748	-749	-750	-751	-752	-753	-754	-755	-756	-757	-758	-759	-760	-761	-762	-763	-764	-765	-766	-767	-768	-769	-770	-771	-772	-773	-774	-775	-776	-777	-778	-779	-780	-781	-782	-783	-784	-785	-786	-787	-788	-789	-790	-791	-792	-793	-794	-795	-796	-797	-798	-799	-800	-801	-802	-803	-804	-805	-806	-807	-808	-809	-810	-811	-812	-813	-814	-815	-816	-817	-818	-819	-820	-821	-822	-823	-824	-825	-826	-827	-828	-829	-830	-831	-832	-833	-834	-835	-836	-837	-838	-839	-840	-841	-842	-843	-844	-845	-846	-847	-848	-849	-850	-851	-852	-853	-854	-855	-856	-857	-858	-859	-860	-861	-862	-863	-864	-865	-866	-867	-868	-869	-870	-871	-872	-873	-874	-875	-876	-877	-878	-879	-880	-881	-882	-883	-884	-885	-886	-887	-888	-889	-890	-891	-892	-893	-894	-895	-896	-897	-898	-899	-900	-901	-902	-903	-904	-905	-906	-907	-908	-909	-910	-911	-912	-913	-914	-915	-916	-917	-918	-919	-920	-921	-922	-923	-924	-925	-926	-927	-928	-929	-930	-931	-932	-933	-934	-935	-936	-937	-938	-939	-940	-941	-942	-943	-944	-945	-946	-947	-948	-949	-950	-951	-952	-953	-954	-955	-956	-957	-958	-959	-960	-961	-962	-963	-964	-965	-966	-967	-968	-969	-970	-971	-972	-973	-974	-975	-976	-977	-978	-979	-980	-981	-982	-983	-984	-985	-986	-987	-988	-989	-990	-991	-992	-993	-994	-995	-996	-997	-998	-999	-1000
139	138	137	136	135	134	133	132	131	130	129	128	127	126	125	124	123	122	121	120	119	118	117	116	115	114	113	112	111	110	109	108	107	106	105	104	103	102	101	100	99	98	97	96	95	94	93	92	91	90	89	88	87	86	85	84	83	82	81	80	79	78	77	76	75	74	73	72	71	70	69	68	67	66	65	64	63	62	61	60	59	58	57	56	55	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100	-101	-102	-103	-104	-105	-106	-107	-108	-109	-110	-111	-112	-113	-114	-115	-116	-117	-118	-119	-120	-121	-122	-123	-124	-125	-126	-127	-128	-129	-130	-131	-132	-133	-134	-135	-136	-137	-138	-139	-140	-141	-142	-143	-144	-145	-146	-147	-148	-149	-150	-151	-152	-153	-154	-155	-156	-157	-158	-159	-160	-161	-162	-163	-164	-165	-166	-167	-168	-169	-170	-171	-172	-173	-174	-175	-176	-177	-178	-179	-180	-181	-182	-183	-184	-185	-186	-187	-188	-189	-190	-191	-192	-193	-194	-195	-196	-197	-198	-199	-200	-201	-202	-203	-204	-205	-206	-207	-208	-209	-210	-211	-212	-213	-214	-215	-216	-217	-218	-219	-220	-221	-222	-223	-224	-225	-226	-227	-228	-229	-230	-231	-232	-233	-234	-235	-236	-237	-238	-239	-240	-241	-242	-243	-244	-245	-246	-247	-248	-249	-250	-251	-252	-253	-254	-255	-256	-257	-258	-259	-260	-261	-262	-263	-264	-265	-266	-267	-268	-269	-270	-271	-272	-273	-274	-275	-276	-277	-278	-279	-280	-281	-282	-283	-284	-285	-286	-287	-288	-289	-290	-291	-292	-293	-294	-295	-296	-297	-298	-299	-300	-301	-302	-303	-304	-305	-306	-307	-308	-309	-310	-311	-312	-313	-314	-315	-316	-317	-318	-319	-320	-321	-3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						

AGB Research 20p	219m+7	6.75	0.8
AIM 10p	151m	6.75	1.8

[illegible][illegible]

Anglo Nordic	27	40.4	—
Antler Sp.	126	3.0	2.4
Appelcore (A&P)	217	6.0	3.3

412 400
 120 200

65	1	32	American 100	68	1-1	1.1	4.2	2.6	4.9	128	41	54	Weeks & Coors 10p	99	1-1	1.2	2.1	3.6	15.2
														138		1.2	2.0	13.4	

مَكْرَمَنُ الْأَهْلِ

1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

LONDON STOCK EXCHANGE

Early gains in Government bonds and shares reduced sharply in late dealings

Account Dealing Dates
Option
First Declared Last Account
Dealing Dates Dealing Day

Feb 9 Feb 19 Feb 20 Mar 2
Feb 23 Mar 5 Mar 6 Mar 16
Mar 9 Mar 19 Mar 20 Mar 30

* New time dealings may take place from 9.00 am two business days earlier.

A further surge in the London stock market was turned back in late dealings yesterday when the UK financial authorities delivered a sharp warning against exaggerated optimism for early cuts in domestic interest rates.

In the early part of the session, City predictions that UK bank base rates could soon fall by as much as a full point drove construction, consumer and insurance stocks ahead, taking the FT-SE 100 index up by nearly 10 points to within two points of the 2000 mark.

But by the close, the FT-SE 100 had returned to 1983-1-10, a new statistical peak, but a net gain of only 19 points on the day. The ordinary index added 4.7 to 1604.5. The Bank of England's action in offering to lend to the discount houses at 11 1/2 per cent for seven days seemed to discourage over-optimism on interest rates. Later, the authorities underlined the point by announcing a £100 bn stock market buy-back programme.

By tapping the bond market when Government financing is unnecessary, the authorities showed an intention to curb enthusiasm which had taken long-dated gilts ahead by a full point in early deals on domestic buying.

After the tap announcement, gains in gilts were trimmed to show a net fall at the close.

Significantly, the initial gains in both gilts and equities reflected domestic buying—overseas investors were discouraged by the sharp rise in sterling which took the sterling exchange rate to 707.

The absence of US buyers, together with an uncertain opening on Wall Street, left some international stocks on the sidelines. Glass, Pisons, Bechem and Cadbury-Schweppes all gave back some of recent gains.

Imperial Chemical Industries, a firm spot at first, turned lower at the end of the session.

Oil stocks also suffered from the withdrawal of US interest, and Shell closed easier awaiting results due later this week.

But Lloyds Bank continued to move up, and insurance stocks were featured by gains in Prudential and Royal. However, Commercial Union failed to shine ahead of tomorrow's results.

Week-end news that Argentina had been offered a \$250m debt swap facility and that Venezuela was close to a \$1.8bn debt rescheduling agreement helped allay fears in the clearing banks sector that a world debt crisis was imminent. Lloyds, well exposed to Latin American debt, was particularly responsive and helped by comment on the annual results closed the session 15 higher at 1604.5.

489p, after 485p. Midland ended 7 dearest at 604p ahead of tomorrow's preliminary results; brokers' forecast pre-tax profits of around £430m against £351m the previous year. Elsewhere, Goode Durrant and Murray, at 189p, and Combined Lease Finance, at 169p, recorded Press-inspired improvements of 5 and 8 respectively.

Lloyds Bank Sedgwick moved up to 343p initially behind Press speculation about a possible bid from Bats, but later reacted on profit-taking to close 8 lower on balance at 328p. Dewey Warren, in which Mr Robert Holmes & Court's Bell Group holds a sizeable stake, added 7 at 245p. Life issues made useful progress with Sun Life 9 higher at 988p amid revived rumours of a bid from the TSB, a penny up at 784p. Prudential gained 10 at 942p and Legal and General jumped 14 to 259p. Apart from Commercial Union which relinquished 4 at 344p ahead of tomorrow's annual results, Composites were firm. GBE, which is to raise its UK motor premium rates by 8 per cent from April 1, closed 14 dearest at 953p. Royals, still drawing strength from the recent excellent results, rose 4 1/2 to £104.

Market newcomers Hobsons Publishing and JSB Electrical both staged bright debuts; the former opened at 315p and closed at 328p compared with the placing price of 250p; USM-quoted JSB touched 146p before settling at 141p against a placing price of 115p.

Building issues continued to reflect great optimism for the future of the sector and interest rate hopes. Although a shade below the best at the close, the leaders still displayed useful gains with George Wimpey, a particularly good market at 297p, up 5 above the annual results expected later this month. A broker's recommendation boosted John Laing, finally 20 higher at 504p, after a 10p rise at 494p. Balfour Beatty, put on 6 to 424p, Ward Holdings gained 21 to 452p, after 562p, in reply to favourable Press comment, while recently overlooked B&A, put on 10 to 178p.

Oil stocks also showed signs of recovery, with Shell up 19 at 522p. Elsewhere, RMC had added 2 to 785p following details of a number of acquisitions in the UK, Europe and the US, while Karmore rose 7 to 539p. Buying interest in recent Tuesday's annual results lifted Federated Housing 14 to 190p, while Johnstones Palms advanced 30 to 178p awaiting today's preliminary figures.

ICI attracted early buying interest and touched 514 1/2 above the annual results, which were assessed close to unchanged on balance at £13.8. ICI American intends to sell its Ethylene and Oxide and Ethylene Glycol

businesses to Sterling Group Inc. Houston, Texas. Terms of the deal have not been disclosed. Elsewhere in the Chemical sector, take-profits after last Thursday's gains were seen in Molybdenum, 158p, Micro Business Systems, 120p, and Searcra, 61p, while Amstar attracted good support, closing 8 to 300p.

Pre-Budget optimism continued to push the Store sector higher. Combined English was additionally stimulated by a Press suggestion that the company was holding preliminary talks with Raters over the possible sale of its Zales jewellery chain and soared 40 to 238p; the latter closed 13 down at 311p. Underwoods, the multiple retail chemist, meanwhile, after last Friday's jump to 49, on takeover speculation, dropped to 222p initially on profit-taking before closing 4 up at 241p following confirmation that the company was in exploratory discussions with Woolworth, 2 off at 788p. Share Drag gained 10 to 275p and Superdrug improved 5 to 485p in sympathy. Elsewhere, Press comment inspired support for Jacques Vert which jumped 22 to 253p, and Miller and Southouse, 20 higher at 289p; the latter's interim results are scheduled for March 12. Speculative buying lifted S. Casel 12 to 128p and Alfred P. Fredy 9 to 159p, while Pensions rose 5 1/2 to 119 1/2p. Gae Rosen, on the other hand, plummeted 12 to 51p as speculative support was withdrawn. Among the leaders, Next added 2 to 253p, while the takeover favourite, Bears added 4 1/2 to 139 1/2p.

Around 6p BT shares changed hands yesterday as investors bought in anticipation of good

FINANCIAL TIMES STOCK INDICES												
	Mar. 2	Feb. 27	Feb. 26	Feb. 25	Feb. 24	Year ago	1986/7		Since Completion			
							High	Low	High	Low		
Government Secs	88.39	87.96	87.62	87.36	87.66	85.21	94.51 (19/8/68)	80.39 (23/10/68)	127.4 (9/1/73)	49.18 (31/7/73)		
Fixed Interest	93.81	93.52	93.32	93.02	93.58	89.49	97.68 (7/7/66)	86.55 (23/10/68)	105.4 (28/11/67)	50.53 (31/7/73)		
Ordinary ♡	1,604.5	1,599.8	1,601.7	1,584.9	1,559.2	1,266.5	1,604.5 (8/9/67)	1,094.3 (2/10/67)	1,604.5 (25/6/71)	49.4 (26/6/40)		
Gold Mines	324.7	329.8	321.0	316.2	308.2	342.7	336.2 (22/9/64)	185.7 (10/7/68)	324.7 (3/6/69)	43.5 (26/10/71)		
Ord. Div. Yield	3.62	3.62	3.61	3.59	3.65	4.18	S.E. ACTIVITY					
Earnings Yld. (%)	8.47	8.47	8.31	8.36	8.52	9.83	Indices		Feb. 27	Feb. 26		
P/E Ratio (incl ♡)	14.48	14.47	14.76	14.66	14.38	12.53	Gift Earnings	Barnings	175.8	180.2		
SEAR Shares (p)	52.617	46.040	50.617	45.594	44.104	—	Equity Earnings	Barnings	629.3	629.3		
Equity Turnover (%)	—	1,498.82	1,091.13	1,566.10	1,404.29	644.85	Equity Value	Barnings	3029.5	3822.5		
Equity Yield (%)	—	58.230	65.068	63.189	59.254	32.058	5-Day Average	Barnings	—	—		
Shares Traded (m)	—	585.0	706.3	598.2	616.0	322.2	Gift Earnings	Barnings	185.8	181.1		
							Equity Value	Barnings	405.5	423.3		
							Equity Value	Barnings	313.5	316.1		
♡ Opening	10 a.m. 1610.0	11 a.m. 1612.9	Noon 1616.7		1 p.m. 1615.0	2 p.m. 1615.8	3 p.m. 1614.8	4 p.m. 1604.5				
Day's High 1616.7. Day's Low 1601.7												
Basis 100 Gdn. Secs 15/10/26, Fixed Int. 1/9/28, Ordinary 1/7/35, Gold Mines 12/9/35, SE Activity 1974, ♡Nil=13.94.												
LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026												

Source: 100 Govt. Secs 15/10/26, Fixed Int. 16/21, Ordinary 17/23, Gold Min. 12/29/35, SE Activity 17/74, "NI" 13/94.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8626

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WORLD STOCK MARKETS

Table with multiple columns for various stock markets including Austria, Germany, Norway, Australia, Japan, Canada, Hong Kong, Singapore, South Africa, and New York. Each section lists stock prices and changes.

Table titled 'CANADA' and 'MONTREAL' showing stock prices and changes for various Canadian companies.

Table titled 'NEW YORK' and 'INDICES' showing stock prices and changes for various US indices and companies.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various companies.

Table titled 'LONDON' showing Chief price changes for various companies.

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Fluor suspends payout

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NYSE COMPOSITE CLOSING PRICES

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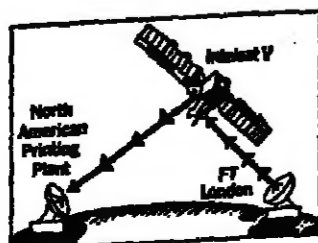
AMEX COMPOSITE CLOSING PRICES

[illegible]**OVER-THE-COUNTER** *Nasdaq national market, closing prices*[illegible]

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FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Futures premium triggers sell programmes

WALL STREET

MODEST EARLY gains on Wall Street yesterday were quickly lost as futures-related selling hit the market, writes Roderick Oram in New York.

Bond prices rose moderately on a higher dollar and lower oil prices but activity was light pending today's release of the January index of leading economic indicators.

The Dow Jones industrial average closed down 3.52 points at 2,220.47. Foreign demand had helped push it up as much as 12 points on the day before sell programmes were triggered by a premium on stock index futures. The Dow industrial fell to about 10 points below its opening level, recovered in mid-morning but fell away again in the afternoon.

The Standard & Poor's 500 showed a bigger fall proportionately losing 1.20 points to 283.00. The New York and American stock exchange composite indices were off fractionally, by 0.44 to 181.57 and 0.61 to 311.75 respectively. NYSE trading volume was moderately light by this year's standards at 156.7m shares.

With the expiration of March contracts for stock index futures and options and options on the underlying shares only three weeks away, traders are expecting further fluctuations of futures related selling as investors unwind their positions.

Some institutional investors said they were staying out of the market until after President Ronald Reagan has made a major speech later this week about the Iran arms affair. The appointment of Mr. Howard Baker as White House chief of staff was welcomed.

Among the Dow industrial constituents, AT&T dipped 3/4 to \$22 3/4, Chevron dropped 3/4 to \$46 1/4, Du Pont was unchanged at \$100, General Motors edged up 1/4 to \$54 1/4, McDonald's fell 1/4 to \$75 1/4 and Sears, Roebuck was ahead \$1 to \$52 1/4 despite saying it would take a \$20m first-quarter charge for restructuring.

Drug stocks had been one of the firmer sectors at the markets opening before they were hit by profit taking. Squibb fell 1/4 to \$15 1/4, Pfizer dropped 1 1/2 to \$71, Carter Wallace gave up 3/4 to \$12 1/4 and Schering-Plough fell 1/4 to \$93 1/4 although Merck added 1/4 to \$13 1/4 and SmithKline Beckman rose 1/4 to \$10 1/4.

In the takeover arena, American Express rose a further 3/4 to \$78 1/4 following its announcement that it was studying the future of Shearson Lehman Brothers, its securities broker subsidiary. It is thought that options include selling off a minority stake in Shearson which, given the poor performance of brokerage stocks compared with the full market, should boost American Express's stock price further.

Among other securities firms, Salomon Inc. rose 3/4 to \$39 1/4, First

Boston added 3/4 to \$50 1/4, Merrill Lynch gained 3/4 to \$43 1/4, Paine Webber was unchanged at \$35 1/4 and Morgan Stanley was unchanged at \$68 1/4.

Viacom International jumped 3 1/2 to \$50 1/4. The television programme and film company said it had received two improved takeover offers, one from Arsenal Holdings, a unit of National Amusement, and the other from MCV Acquiring Corp., a special takeover unit of MCV Holdings which includes senior Viacom managers. The cash offers of the bids are \$42 and \$36.50 per share respectively but both in addition offer a package of securities of variable value.

Apple Computer fell 3/4 to \$87 1/4 on volume of 1.8m shares in the over-the-counter market following the launch to two new computers in its Macintosh family.

Other computer stocks were also weak. IBM fell 1 1/4 to \$138 1/4, Unisys dropped 3/4 to \$105 and NCR gave up 3/4 to \$64 1/4 although Digital Equipment added 3/4 to \$153 1/4.

Finor, the process plant construction group, gave up 1 1/4 to \$14. It suspended dividends on its common shares.

Waste Management jumped 1 1/4 to \$71 1/4. It split its stock two-for-one and lifted its dividend to 18 cents a share from 14 cents on a pre-split basis.

Stone Container, a pecking company which recently acquired Southwest Forest Industries, added 1 1/4 to \$64 1/4. It split its stock two-for-one and increased its dividend.

CBS dropped 3/4 to \$157 1/4 and Capital Cities-ABC fell 3/4 to \$32 1/4. Members of the Writers Guild of America began a strike at the two television networks.

Chubb, a property-casualty insurer said it knew no reason for the rise in its share price by \$1 1/4 to \$72.

In the credit markets, bond prices edged ahead on a firmer dollar and lower oil prices. The price of the 7.5 per cent benchmark Treasury long bond rose 1/4 of a point to 100 1/4 at which it yielded 7.45 per cent.

CANADA

RESOURCE stocks helped Toronto overcome mid-morning weakness. Noranda was the most active in early trading and gained 3/4 to \$32 1/4 while Alcan firmed 3/4 to \$34 1/4. Inco at \$30 1/4 was ahead 3/4.

The rally spread to the energy sector. Imperial Oil rose 3/4 to \$78 1/4 following its announcement that it was studying the future of Shearson Lehman Brothers, its securities broker subsidiary. It is thought that options include selling off a minority stake in Shearson which, given the poor performance of brokerage stocks compared with the full market, should boost American Express's stock price further.

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Carla Rapoport reviews the performance of the newly listed telecom group

Japanese revel in NTT's magical rise

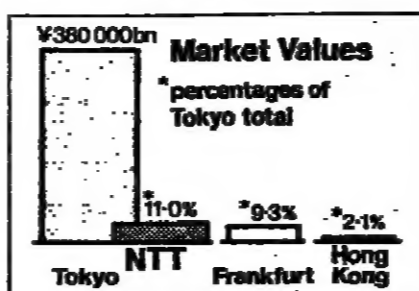
JAPAN'S Ministry of Finance, a dilapidated place where hordes shuffle about in plastic slippers, has good reason to feel proud these days. The ministry's first privatisation issue, Nippon Telegraph and Telephone, has been a stunning success.

NTT's shares, which were launched last month at ¥1.18m (\$1,770), closed ¥29,000 higher yesterday at ¥32,000. NTT's market value - about ¥25,000bn - is now nearly equivalent to the combined value of the West German and Hong Kong stock markets. It is also worth about 11 per cent of the Tokyo Stock Exchange.

For those who cling to price earnings ratios, NTT's prospective P/E is a staggering 224, more than four times the TSE's average P/E of about 52.

When a share climbs 115 per cent after its launch, some could criticise the seller for floating too cheaply. But the ministry's methodology is its magic. Last month's sale covered only 1/4 of NTT's shares. Assuming the price holds, the rest of the shares will go at a tremendous premium to the first tranche.

For example, if the shares hit ¥3m, the next tranche to be sold off later this year would earn the Government ¥5,000bn. That would



probably cover the supplementary budget for stimulating domestic demand which is now under consideration by the Government.

Can the price hold? Again, another piece of finance ministry magic provides a good indication that it will. By selling off lower shares at a higher unit price, the ministry has insured that the number of NTT shares in circulation is limited. A lot of purchasers, particularly institutions, are buying and holding because of NTT's huge weighting on the TSE's market value. As a result, even a small amount of buying activity can drive the price up sharply.

EUROPE

Paris peaks on rate cut hopes

CARNIVAL holidays and nervousness about the dollar and Latin American debt left trading subdued and prices lower on most leading European bourses yesterday, but Paris once again charted its own course to end at record high for the second session running.

The stimulus came from expectations that the Bank of France would cut its intervention rate, a belief encouraged by a slight fall in the overnight call money rate.

The optimistic mood also drew on the dollar's relative stability and on Finance Minister Edouard Balladur's forecast of better February inflation figures after the high 0.9 per cent rate for January.

The CAC General index rose 6.1 to a high of 4,352.41 after peaking at 4,291.01 on Friday and trading was active as overseas investors returned to the market.

The strongest gains included Cie Bancaire, FF 57 ahead at FF 1,100, Printemps, up FF 30 at FF 680 and Peugeot, which rose FF 65 to FF 1,480.

Construction stocks were firm, with Bouygues FF 55 higher at FF 1,319, while electronics saw Thomson-CSF add FF 45 to FF 1,580 and Matra put on FF 30 to FF 2,580.

Frankfurt finished mixed to lower in trading sharply depleted by the Rose Monday holiday and carnival celebrations.

LONDON RECORD

A FRESH surge by London equities was halted in late trading when the UK financial authorities delivered a sharp warning against exaggerated optimism over early cuts in domestic interest rates.

The FT-SE share index closed at a new peak of 1,963.1 up 2.5, after climbing nearly 19 points earlier.

Prices were still sensitive to the dollar and the Brazilian debt problem and banks were generally lower, with Deutsche Bank off DM 6 to DM 639, Commerzbank DM 5.50 to DM 248.50 and Dresdner DM 3.50 to DM 329.50.

Construction group Hochtief lost DM 10 to DM 906. It announced lower profits in 1986 but expects to pay a good dividend nonetheless. Bonds rose strongly on expectations of a weaker dollar and lower global interest rates. The Bundesbank sold a hefty DM 200.6m worth of paper after selling DM 166.7m on Friday.

Amsterdam was also mixed with an easier bias as another floral holiday - the Crocus break - kept many investors away from the market. Caution over the dollar's outlook and the lack of outstanding company results so far also helped to depress prices.

However, paper products group Buehmann Tetraeder gained 60 cents to FF 52.60 after reporting a large increase in profits. Zurich moved down, with banks leading the fall as Latin American debt worries persisted. The Credit Suisse stock index lost 5.4 to 524.7. In the industrial sector, Brown Boveri lost SF 90 to SF 1,620. The engineering company is omitting its

1986 dividend but planning a warrant bond with rights for shareholders.

Brussels was mixed to firmer in quiet trading. Holding companies reflected the trend, with Reserve up BF 30 to BF 3,380 and Gevaert in industrials adding BF 90 to BF 6,350.

Milan eased on profit-taking and uncertainty over the political outlook on the eve of Prime Minister Bettino Craxi's expected resignation.

Montedison, which said it had concluded talks with Spanish pharmaceuticals company Antibioticos on a possible takeover, ended slightly higher at L2,815, up L5.

Stockholders continued optimistic, rising on strong company results and a forecast by a US business magazine that the market will be one of the three strongest in the world this year.

ASIA

Nikkei leads wave of highs

TOKYO

THE TREK to fresh peaks continued in Tokyo yesterday as strong institutional buying resurfaced on broad front, writes Shigeo Nishizaki of Jiji Press.

Large-capital steel and shipbuilding were traded heavily, along with issues linked to public works spending as well as some blue chips. Certain Aids-related stocks, which have been recent winners, turned lower on profit-taking.

The Nikkei average soared 167.16 from Saturday to a record 20,933.82, its second consecutive record. Volume remained high with 419m shares changing hands, up from last Friday's 1,080m. Advances outpaced declines by 495 to 361, with 127 issues unchanged.

Brokers said turnover weakened significantly in the afternoon after a morning of strong gains. The afternoon downturn reflected growing concern that the market had entered a "dangerous period" after its recent strong gains, they said.

With the start of March trading, institutions and securities houses dealers bought a wide range of stocks from the outset, disregarding the tighter restrictions on margin transactions imposed on Friday when the market suffered its first decline in four days.

Legends among steel and shipbuilding strengthened, while front-runners dipped. On profit-taking, Nippon Steel headed the active list, with 62.7m shares traded, easing ¥2 to ¥294. Sumitomo Metal Industries was second busiest with 61.6m shares, gaining ¥10 to ¥197, and Mitsubishi Heavy Industries, third with 57.9m shares, was up ¥25 to ¥350.

Bonds eased in somewhat trading as dealers sold in small lots to draw down their inventories. The weakness after recent sharp gains was welcomed.

The yield on the benchmark 5.1 per cent government bond due in June 1996 rose sharply from 4.675 to

4.735 per cent after falling to 4.655 at one stage. The paper with the same coupon rate maturing in July 1996 ended with a yield of 4.915 per cent, up from 4.860 last Saturday.

AUSTRALIA

STRONG CORPORATE results took Sydney to a new high as the All-Ordinaries index firmed 6.8 to a peak 1,614.1. Volume fell to 127m shares compared with Friday's 172m.

Lead lease added a further 10 cents to A\$12.40 in reaction to last week's surge in profits. Westfield Holdings, another property group, jumped A\$1 to A\$41 after strong gains late last week.

Boral, the construction and materials group, firmed 5 cents to A\$4.88 on its higher earnings.

HONG KONG

THE WEEKEND RISE in interest rates failed to stem strong buying in Hong Kong which took the Hang Seng index to another record with a gain of 16.39 to 2,894.26.

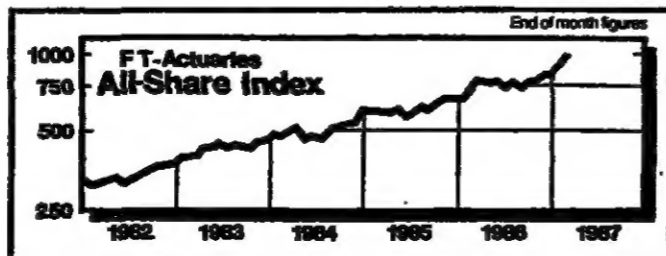
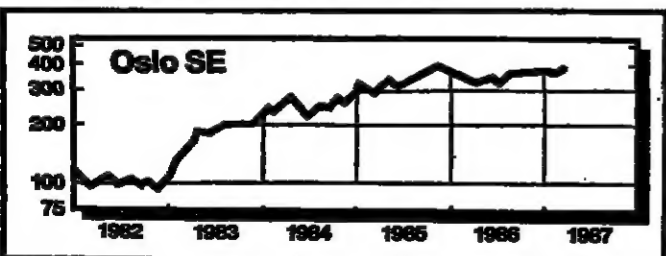
Sentiment was boosted by speculation, confirmed after the close that a major reorganisation of companies owned by Mr. Li Ka-shing would take place. Trading in Cheung Kong, Hutchison and HK Electric was suspended. It was announced later that HK Electric would spin off its non-utility operations while Hutchison revealed a 37 per cent surge in profit for last year.

SINGAPORE

SPORADIC profit-taking developed in Singapore and trimmed an early rise in the Straits Times industrial index to a gain of 0.31 to 1,968.33.

Tan Chong Motors, most active with 3.1m shares traded, added 2 1/2 cents to 55 1/2 cents while Public Bank at S\$1.72 was 6 cents higher on 2.1m shares.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Mar 2	Previous Year ago	Mar 2 Previous Year ago
NEW YORK			
DJ Industrials	2,220.47	2,223.99	1,709.06
DJ Transport	940.04	935.68	792.26
DJ Utilities	216.72	218.57	185.83
S&P Comp.	283.00	284.20	226.62
LONDON FT			
Ord	1,963.1	1,959.8	1,388.5
SE 100	1,963.1	1,978.2	1,543.9
A.S. share	986.25	981.12	747.28
A 500	1,098.50	1,095.57	822.61
Gold mines	324.7	323.8	342.7
A Long gilt	9.31	9.35	9.94
TOKYO			
Nikkei	20,933.82	20,421.58	18,640.8
Tokyo SE	18,651.61	17,754.46	16,080.70
AUSTRALIA			
All Ord.	1,622.9	1,614.1	1,050.1
Metals & Mins.	768.0	764.0	512.7
AMSTERDAM			
Credit Acton	208.06	203.57	291.06
BEIJING SE			
Beijing	4,202.11	4,180.74	3,257.19
CANADA			
Toronto	2,498.0	—	2,250.0
Composite	3,510.1	3,498.0	2,855.8
Montreal	1,755.57	1,753.01	1,137.82
CHICAGO SE			
—	201.12	232.05	—
FRANCE			
CAC Gen	4,352.41	4,291.01	3,129.8
Ind. Tendence	110.30	108.7	72.67
WEST GERMANY			
FAZ-Athen	570.68	562.25	636.86
Commerzbank	n/a	1,711.7	1,818.7

CURRENCIES (London)			
	Mar 2	Previous	Mar 2 Previous
US DOLLAR	1.5400	1.5400	1.5400
DM	1.9320	1.9320	1.9320
¥	162.45	162.45	162.45
FF	6.55	6.55	6.55
SP	1.6415	1.6395	1.6395
IT	2.0030	2.0010	2.0010
Gr	1.9220	1.9205	1.9205
CS	1.3915	1.3895	1.3895
INTEREST RATES			
	Mar 2	Previous	Mar 2 Previous
3-month (offered rate)	10 1/4	10 1/4	10 1/4
6-month	9 3/4	9 3/4	9 3/4
12-month	9 1/4	9 1/4	9 1/4
US Fed Funds	6 1/4	6 1/4	6 1/4
US 3-month CD	5 3/4	5 3/4	5 3/4
US 6-month CD	5 1/4	5 1/4	5 1/4
US 9-month CD	5 1/4	5 1/4	5 1/4
US 12-month CD	5 1/4	5 1/4	5 1/4
FINANCIAL FUTURES			
	Mar 2	Previous	Mar 2 Previous
US Treasury Bonds (CBT)	96 1/4	96 1/4	96 1/4
96 3/4 bonds of 100%	96 1/4	96 1/4	96 1/4
Mar 2 Latest	101-01	101-01	101-01
US Treasury Bills (CBT)	94 1/4	94 1/4	94 1/4
94 1/4 bills of 100%	94 1/4	94 1/4	94 1/4
Mar 2 Latest	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	94 1/4
9-month Treasury	94 1/4	94 1/4	94 1/4
12-month Treasury	94 1/4	94 1/4	94 1/4
3-month Treasury	94 1/4	94 1/4	94 1/4
6-month Treasury	94 1/4	94 1/4	